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PAPERS

RELATING TO

THE INTRODUCTION

OF A

GOLD CURRENCY INTO INDIA.

CALCUTTA:

O. T. CUTTER, MILITARY ORPHAN PRESS,

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PAPERS
RELATING TO
THE INTRODUCTION
OF A
GOLD CURRENCY INTO INDIA.

*From H. W. J. Wood, Esq., Secy. to the Bengal Chamber of Commerce, to
Secy. to Govt. of India, Finl. Dept.,—dated 25th May 1859.*

The expediency of introducing a gold currency into India has been on several occasions under the consideration of the Chamber of Commerce, and their attention has been again directed to the question in a communication from the Calcutta Trade Association, as also by the native shroffs and merchants of Calcutta in a letter of which I beg to append a copy.

The Committee of the Chamber, after having maturely considered this important subject, have come to be of opinion that it is now desirable to introduce into this country gold as a subsidiary currency to the extent of two hundred Rupees; adopting the English sovereign, at a fixed rate relative to silver, as the circulating medium.

I am directed by the Committee to solicit the favor of your bringing this matter to the notice of the Governor General in Council, in the hope that it will receive favorable consideration, and that a gold currency will be adopted, to the extent above suggested, with as little delay as possible.

The Committee of the Chamber do not think it necessary to trouble you with the particular reasons on which their opinion is grounded; but if any objections should occur to the Governor General in Council to the adoption of the change which is now proposed, the Committee will be glad to know what these objections are, in case it may be in their power to remove them.

From BABOO SOORUT RAM ROY BHAN and 25 others, Native Shroffs and Merchants of Calcutta, to President of the Chamber of Commerce,—dated April 1859.

We are given to understand that the Committee of the Chamber of Commerce have it in view to address the Supreme Government as to the expediency of introducing a gold currency into this country.

The question is one of great and national importance, and we, the undersigned bankers and others, engaged extensively in mercantile pursuits, take the liberty of expressing to the Committee through you what our opinion upon this point is.

We think that the time has arrived for Government to decide without delay in making gold a legal tender in this country. The inconvenience of relying upon silver alone as the medium of circulation is already felt, and this inconvenience will increase as the country increases in wealth and population, and as roads, canals, and railways open up the communications and the traffic with the interior.

It is well known to every one that there is no paper currency in Bengal beyond the immediate neighbourhood of Calcutta, nor in the North-Western Provinces; and that in all the daily transactions, great and small, which take place, the payments have to be made in silver; gold mohurs coined at the Calcutta Mint, being no longer receivable in payment of revenue, which they used to be before the Australian gold discoveries.

The natives of India prefer gold to silver on account of its portability, and of their being therefore able to hoard it, in times of danger, so much more securely than a bulky article like silver. In July and August 1857, when it was uncertain what turn the rebellion might take, some of the natives in Calcutta drew their balances from the Banks, sold or pledged their Government Securities, and with the money purchased gold, which they hoarded until after the fall of Delhi, when confidence in the re-establishment of the British Rule in the disturbed districts prevailed, and when the parties who had so hoarded their gold re-sold it at a lower price than they had paid for it.

Since the commencement of the mutiny, Government has not issued drafts in favor of Officers on its Up-country Treasuries, and in consequence these Officers were necessitated, in order to pay their way, to carry with them from 300 to 500 rupees, weighing $7\frac{1}{2}$ to $12\frac{1}{2}$ lbs., which was included in the regulation weight of a 100 lbs. of baggage allowed

by Government to Officers proceeding by land carriage to join their Regiments, while if the money had been carried in gold, the weight would not be more than 1 to 2 lbs.

The continuous drain from Europe to the East for some years past has attracted much attention, and the flow this year is likely to be on a very large scale. In the mercantile intelligence received by the last mail, we observe that for the steamer of the 20th March, £300,000 of silver is to be shipped on account of the Indian Government, which is probably the first instalment of the loan for three millions which Lord Canning mentioned he had applied for to Lord Stanley. The price paid for this silver is 5s. 2d., and there seems to be difficulty in obtaining from the Continent the full amount of silver required. The effect frequently is, to meet this demand for the East, a derangement of the exchanges and of the money markets of Europe, all of which would be avoided had we a gold currency in India, and there are many other advantages which would result from it, but to which it is unnecessary to call the special attention of gentlemen of the experience of the members of the Committee of the Chamber of Commerce.

Hoping that the application of the Committee to the Government on the above important question will be successful.

From H. W. J. WOOD, Esq., Secy. to the Bengal Chamber of Commerce, to Secy. to Govt. of India, Finl. Dept.,—dated 31st May 1859.

The second paragraph of my letter of the 25th instant concludes with the words “adopting the English sovereign at a fixed rate relative to silver as the circulating medium;” and I am directed to alter that expression to the following—“recognizing the sovereign as the equivalent of ten rupees.”

I have the honor to request you will be so good as to modify my letter accordingly.

From C. HUGH LUSHINGTON, Esq., Secy. to Govt. of India, Finl. Dept., to Secy. to the Bengal Chamber of Commerce,—No. 4728, dated 11th June 1859.

I am directed by the Right Hon'ble the Governor General in Council to acknowledge the receipt of your letter of the 25th ultimo, enclosing one in which the native shroffs and merchants of Calcutta have lately represented to the Chamber of Commerce that gold should be made a legal

tender in India, and expressing the opinion of the Chamber of Commerce that it is desirable to introduce gold as a subsidiary currency to the extent of two hundred rupees, adopting the English sovereign, at a fixed rate relative to silver, as a circulating medium.

2. I am also to acknowledge the receipt of your letter of the 31st ultimo, requesting that your previous letter may be modified by the substitution of the words "recognizing the sovereign as the equivalent of ten rupees," for the words "adopting the English sovereign at a fixed rate relative to silver as a circulating medium."

3. In reply I am to inform you that the Governor General in Council regrets that he is unable to meet the wishes of the Chamber of Commerce in this matter.

4. However accurate might be the proportional value which might be given to a gold coin now as compared with the standard silver coin, there is a strong and growing probability that it would, before long, cease to be the true value, and, therefore, that a law which should fix that value could not long be maintained unaltered without disturbing existing obligations between debtor and creditor. The evil of passing such a law with the certainty that it would not be permanent, and with the probability that a change in it would become necessary at no distant time, is plain.

5. Besides this fundamental objection to the measure, there is another more immediate in its bearing upon the community. To subject every person to whom any sum from ten rupees to two hundred rupees may be owing, to receive payment of that sum, or of the greater part of it, in sovereigns, would be a severe hardship. It would compel such persons, before disbursing their money, to have recourse to money changers, often under very disadvantageous circumstances, and with no escape from extortionate demands. The loss which is already suffered by those who have occasion to change silver for copper coin in the bazaars would be trifling compared with the loss and inconvenience to which they would be exposed when obliged to seek change for gold coins of the nominal value of ten rupees.

6. It will, I am to observe, be clear to the Chamber of Commerce that the law as it exists in England furnishes no parallel to the measure which is now proposed.

7. In a country in which gold is the standard, but where silver is indispensably necessary to express sums which cannot be expressed in gold, the establishment of a subsidiary silver currency which shall be legal tender to the extent of forty shillings is a measure convenient to all; but in a country in which silver is the standard, the introduction of gold as a subsidiary currency, and as a legal tender to the extent of ten times the above-named amount, is a very different measure. The convenience of it would be limited to a number comparatively small; the inconvenience and loss resulting from it, by the payment of small sums in gold at a rate which, though legal, might be above the market rate, would extend to large and not wealthy classes. It is needless to say that in the event, in either case, of a depreciation of the metal of which the subsidiary currency is formed, the disturbance will be greatest where that currency has been made a legal tender for the largest amount.

8. Furthermore, I am to remind you that the right of paying in gold is one which, if it be given to the public, must also be used by the Government. The Treasury could not receive sovereigns at a fixed rate without re-issuing them at the same rate. It would, therefore, soon become necessary to pay some part of the interest on public securities in that coin. But the bargain of the State with its creditors has been made in silver; and if gold be paid to them in place of silver at a rate higher than the market value of gold, the creditors will have cause to impugn the good faith of the Government. The Governor General in Council cannot consent to a measure which would lead to such a consequence.

9. After giving a respectful consideration to the scheme which the Chamber of Commerce has recommended, the Governor General in Council is satisfied that, so far as money transactions within the wide limit of two hundred rupees are concerned, it is open to nearly all the objections which have been generally, and, as His Excellency believes, rightly, urged against a double standard. And His Excellency regrets that he is quite unable to concur in the opinion of the Chamber of Commerce that the present time is one at which it is desirable to introduce the measure suggested. It appears to the Governor General in Council that there never has been a time when it would be so little wise or just to force by law a gold currency (even though restricted to the extent proposed) upon a country where the standard is silver.

10. Against these reasons for not adopting the course recommended by the Chamber of Commerce, there are to be set the reasons adduced in favor of that course in the letter from the native shroffs and merchants which you have transmitted with the recommendation.

These reasons are—

Firstly, the greater convenience of those who have occasion to remit or carry money from place to place, and the preference given by natives to gold on account of facility in hoarding it; and, secondly, the diminution of difficulty in obtaining silver from England and of derangement in the money markets of Europe.

11. As regards the first, the Governor General in Council does not under-rate the advantage to the community of making money portable. His Excellency considers that it furnishes a good reason for coining gold, and for placing gold money within reach of the public to be used at their option;—and this the Government of India already does;—but that it would by no means justify the Government in making the hopeless attempt to fix the value of the gold coin by law, and in compelling the acceptance of it at that value. The fact that gold is easily hoarded is one which may properly be taken into account in estimating the amount of gold coin which should be supplied to the country; but, in the opinion of the Governor General in Council, it cannot be represented seriously as a ground for making gold a legal tender.

12. As regards the second reason, the Governor General in Council does not admit that the evils which the writers of the letter describe, and which, they assume, would be diminished by the measure proposed, are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself. The price paid for the silver lately sent from England—5s. 2d. an ounce—is, in the opinion of the Governor General in Council, no sufficient evidence of this.

*From H. W. J. Wood, Esq., Secy. to the Bengal Chamber of Commerce,
to Secy. to Govt. of India, Finl. Dept.,—dated 25th July 1859.*

I am directed by the Committee of the Bengal Chamber of Commerce to acknowledge the receipt of your letter No. 4728 of 11th ultimo, in reply to my letters of the 25th and 31st May, suggesting, by direction of the Committee, for the consideration of the Right

Hon'ble the Governor General in Council, the expediency of introducing a gold currency into India, by making the English sovereign the equivalent of ten rupees, and to the extent of twenty sovereigns, or two hundred Rupees, a legal tender,—a proposal to which, for the reasons stated in your letter, the Governor General in Council regrets that he is unable to give his concurrence. But as these reasons do not appear to the Committee of the Chamber to be well founded, I am directed by them to communicate to you, for His Lordship's information, some of the grounds on which they have taken the liberty of coming to a different conclusion. In doing this, the best way for me will be to reply to your letter paragraph by paragraph.

Paragraphs 1 and 2 acknowledge my letters of the above date.

Paragraph 3 expresses the regret of the Governor General that His Lordship is unable to comply with the wishes of the Chamber in this matter.

Paragraph 4 is as follows :—

"4. However accurate might be the proportional value which might be given to a gold coin now as compared with the standard silver coin, there is a strong and growing probability that it would, before long, cease to be the true value; and, therefore, that a law which should fix that value could not long be maintained unaltered, without disturbing existing obligations between debtor and creditor.

The Committee of the Chamber take it for granted that the Governor General admits the English sovereign, as compared with the standard silver coin, to be of the value of ten rupees, of which, indeed, there can be no doubt, because sovereigns sell readily in any quantity, at present, for ten rupees and six annas each. But His Lordship objects that "there is a strong and growing probability that it would before long cease to be the true value."

"The evil of passing such a law with the certainty that it would not be permanent, and with the probability that a change in it would become necessary at no distant time, is plain."

The Committee of the Chamber are aware that the same views find several able supporters among the many writers on the currency. The speculations of these writers came out strongly with the discovery of the Californian mines, and their prophecies as to the probable fall in the value of gold and the evils to arise therefrom, were repeated with still greater confidence when the gold discoveries in Australia were made; and they have been reiterated by the same theorists ever since, year after

year, with undiminished confidence. But what are the facts? Since the discovery of gold in California and Australia, it is estimated that nearly forty millions of gold have been added, yearly, to the stock of gold in the world; and this, as the currency theorists themselves admit, without any depreciation in the value of gold, which, relative to silver, here and in the markets of Europe, continues to be what it was before the date of the recent gold discoveries. The Committee of the Chamber do not believe that the small change in the currency which they proposed will, in the least, disturb the obligations between debtor and creditor. Previous to the discovery of California, the circulating medium of France and America was composed of silver and paper money, but the gold discoveries were taken advantage of in both countries. In America the mints immediately coined gold double-eagles, eagles, half-eagles, quarter-eagles, and dollars, as a legal tender for the amounts they indicated; and in France the mints became very active in coining double-Napoleons, Napoleons, half-Napoleons, and quarter-Napoleons, as a legal tender, for 40, 20, 10, and 5 francs of the silver standard. In both countries, and more especially in America, the result has been the displacement of a good deal of spurious paper currency, and of the greater portion of the silver of which the metallic currency almost entirely consisted. This increase in the gold currency, or to the circulating medium, of the two nations, was appreciated as of great benefit; nor has it been productive of any injurious effect on the contracts between debtor and creditor. The French nation apparently even now does not apprehend any mischief from having a double standard, judging from the alacrity with which the public loans were taken up the other day by all classes of the people. Nor has India failed to derive benefit from these gold discoveries, which have had the effect of liberating from America and France the large quantities of silver which have since then been flowing to the East to adjust with India and China the balance of trade. The total shipments of silver to the East since 1851, to the end of 1857, were nearly fifty-seven millions, or, on an average of each year, in excess of the estimated yearly production of all the silver mines in the world; the shipments from Great Britain and the Mediterranean in 1856 being £14,100,000, and in 1857 £20,146,000. The change in the precious metals has always been so slow as to be scarcely perceptible. The relative value of gold to silver varies at the same moment in different countries and in the same country at different times, being influenced by the standard, the supply, and the state of the exchanges. The Committee of the Chamber

conceive that, were the very trifling change which they propose now acted upon, no alteration in the value of gold coin would at any future time be necessary; but should it be, there can be no difficulty in adjusting the relative proportions. The convenience and benefit to the public will far outweigh this trouble to the Government.

"5. Besides this fundamental objection to the measure, there is another more immediate in its bearing upon the community. To subject every person to whom any sum from ten rupees to two hundred rupees may be owing, to receive payment of that sum, or of the greater part of it in sovereigns, would be a severe hardship. It would compel such persons, before disbursing their money, to have recourse to money-changers, often under very disadvantageous circumstances, and with no escape from extortionate demands. The loss which is already suffered by those who have occasion to change silver for copper coin in the bazaars, would be trifling compared with the loss and inconvenience to which they would be exposed when obliged to seek change for gold coins of the nominal value of ten rupees."

The objection taken in this paragraph the Committee of the Chamber conceive to be greatly exaggerated. It is founded on what they believe will practically be found to be the exception to the rule. It assumes that all those to whom sovereigns are paid will at once go with them to the money-changers, who would of course make a charge for giving silver rupees in exchange; but which, however, would be done for a much smaller charge or batta—something less than one-half the batta exacted for changing copper for silver coin. Sovereigns in ordinary transactions would pass from the buyer to the seller in exchange for commodities, and should the value of the latter fall short of the value of the sovereign, the balance or difference would be paid back by the seller to the buyer without any such charge. The native bankers or shroffs and the dealers who have to keep a reserve of money, which at present they do in silver, would only be too glad to substitute sovereigns for bulky silver rupees.

"6. It will, I am to observe, be clear to the Chamber of Commerce that the law, as it exists in England, furnishes no parallel to the measure which is now proposed. It is admitted that the standard in England being gold, and the standard in India being silver, there can be no exact parallel between the two cases; but that can

"7. In a country in which gold is the standard, but where silver form no good reason for not adopting what is now proposed. Of the

is indispensably necessary to express sums which cannot be expressed in gold, the establishment of a subsidiary silver currency, which shall be legal tender to the extent of forty shillings, is a measure convenient to all: but in a country in which silver is the standard, the introduction of gold as a subsidiary currency, and as a legal tender to the extent of ten times the above-named amount, is a very different measure. The convenience of it would be limited to a number comparatively small; the inconvenience and loss resulting from it by the payment of small sums in gold, at a rate which, though legal, might be above the market rate, would extend to large and not wealthy classes. It is needless to say that, in the event, in either case, of a depreciation of the metal of which the subsidiary currency is formed, the disturbance will be greatest where that currency has been made a legal tender for the largest amount."

the subsidiary currency is composed. Sixteen annas, or one rupee, of copper coin have the same purchasing power as a rupee of silver, although the sixteen annas of copper, according to the market value of copper, are not worth more than seven to eight annas of silver. In the same way a shilling of silver, or twelve pence of copper, although the former is 10 per cent., and the latter 40 per cent. less, in intrinsic value, than the twentieth part of the gold sovereign, have the same purchasing power, and pass from one hand to another, at their nominal value, without any regard or inquiry as to the rise or fall in the market value of the metals of which the coins are composed.

"8. Furthermore, I am to request you that the right of paying

convenience of the measure, there can be no doubt to all who prefer carrying 20 sovereigns to 200 rupees in their pockets. The fact that gold is not the standard of value, can form no ground for excluding it entirely as a subsidiary currency, which is the only way, as long as we have the silver standard, in which gold can be introduced into this country. The inconvenience and loss contemplated will, it is thought, prove to be imaginary, as will also the idea that payment in gold will not extend to the large and wealthy classes, who, in the opinion of the Committee, will be the very first to avail themselves of the advantages of a gold in comparison with a silver coinage. So long as the sovereign is declared a legal tender for ten rupees, it will pass current for ten rupees, and have the same purchasing power as ten rupees in silver. The buyer and seller seem indifferent to the rise or depreciation in the market value of the metal of which

The Committee of the Chamber beg of you to assure His Excellency

in gold is one which, if it be given to the public, must also be used by the Government. The treasury could not receive sovereigns at a fixed rate without re-issuing them at the same rate. It would, therefore, soon become necessary to pay some part of the interest on public securities in that coin. But the bargain of the State with its creditors has been made in silver; and if gold be paid to them in place of silver at a rate higher than the market value of gold, the creditors will have cause to impugn the good faith of the Government. The Governor General in Council cannot consent to a measure which would lead to such a consequence."

the Governor General in Council that they are quite as unwilling to suggest, as His Lordship can be to carry out any measure which they have any conception would be likely to afford to the public creditors any good grounds for impugning the good faith of the Government, being conscious that a sacred regard for the great rules of property on the part of Governments is the foundation on which all private as well as public or political security rests. And accordingly Governments have found out the expediency of preserving the standard of money inviolate, and that their ultimate interest, as well as the interest of the public, is best consulted by abstaining from doing any act either to increase or to depreciate the value of money. Within this wholesome category the public creditor is entitled to include all the obligations of the State, and to consider that any steps taken by the Government in the knowledge that these will have the effect of depreciating its own securities, is as great a breach of the good faith of the Government towards the public creditor as debasing the value of the coin in which the debt or obligation so depreciated is, at some very distant day, if ever, ultimately discharged. There can be no doubt that, in the event of the measure proposed being adopted, Government will be as much entitled to pay away to each individual to the extent of 20 sovereigns or 200 rupees in gold as it will be bound to receive them. These small payments, however, from and to individuals, will be but an infinitesimal fraction of the crores of rupees which pass into and out of the Government treasuries in the course of the year. The public creditors can have no more cause to impugn the Government for paying them in sovereigns to a limited extent, than the public of India have a right to complain of being compelled to take sixteen annas of copper at a rate higher than the market value of copper, or than the public of England have a right to complain of their being compelled to take forty shillings

of silver as a legal tender, at a rate higher than the market value of silver at the time. It is said that the bargain of the State with the creditor having been made in silver, it would be unjust to pay him in gold, if the value of gold happened to be less than the value of silver at the moment of payment. But suppose that the value of silver happened to be less than the value of gold, which is not an impossible case, the gain would then be to the creditor, whose interest chiefly the Government professes to care for in the contract. But all injustice in this respect may be obviated by Government's agreeing, if it desires it, to pay its debts not according to the value of the rupee at the date of payment, but according to its value when the debt was contracted, or if paid in gold, by paying the creditor a sum which, after a comparison of the course of the value of the two metals, shall, at the time of payment, be the commercial equivalent of the silver rupee in which the debt was contracted. The objections in this paragraph are only applicable to a double standard—when the debtor has it in his option to discharge his debt in gold or in silver, as may suit his convenience; they are of little or no force when directed against a subsidiary currency for limited payments. The Committee of the Chamber venture to state that if the consent of the public creditors were asked to receive payment not only of the future interest, but of the principal, of all the loans in gold sovereigns at the equivalent of 10 silver rupees for each sovereign, there is not a single creditor who would withhold his consent from such a proposal.

"9. After giving a respectful consideration to the scheme which the Chamber of Commerce has recommended, the Governor General in Council is satisfied that, so far as money transactions within the wide limit of two hundred rupees are concerned, it is open to nearly all the objections which have been generally, and, as His Excellency believes, rightly, urged against a double standard. And His Excellency regrets that he is quite unable to concur in the opinion of the Chamber of Commerce, that the

The limit to a payment of 20 sovereigns or 200 rupees of gold as a legal tender, the Committee respectfully think, brings the proposed change out of the category of a double standard, and therefore the objections (not specified) which His Excellency the Governor General believes to have been generally and rightly urged to a double standard, do not apply to this case. They might as reasonably be urged against forty shillings of silver being made a legal tender in England, the only difference being

present time is one at which it is desirable to introduce the measure suggested. It appears to the Governor General in Council that there never has been a time when it would be so little wise or just to force by law a gold currency (even though restricted to the extent proposed) upon a country where the standard is silver.”

one of amount—the difference between £2 and £20. The Committee of the Chamber, with much deference to His Lordship, continue to think that the present is a most fitting time for the introduction of the measure suggested. Of the silver importations into India, a very large amount is hoarded and converted into ornaments, and what of the silver is not so absorbed, converted into coin, is not found to be more than sufficient to perform, as a circulating medium, the business of the country. The Indian currency out of the Presidency towns being purely metallic, very large importations will require to be continued from year to year to meet the currency demand. A decrease or deficiency in the circulating medium would be severely felt by all classes, and by none more than by the Government itself. The wealth of India is gradually increasing, new markets are opening out, and an incalculable impetus will be given to our trade and commerce as railways bring the towns of the interior nearer to the sea-ports. With this expansion, a larger supply than before of the circulating medium will be necessary. The new markets yearly opening up all over in the East, such as China, Japan, &c., will continue to absorb an increasing quantity of the precious metals; the value of the produce they export will be much in excess of the value of the manufactures of Europe and America which they import, and the balance of trade must be adjusted by shipments of the precious metals. Looking to the vast and increasing area over which silver will have to perform the functions of the circulating medium, and to the probability that India will receive in future less quantity of silver than her wants require, the Committee of the Chamber consider it to be a duty to impress earnestly upon His Excellency the Governor General in Council the wisdom of timeously adopting gold into the Indian currency to the modified extent which has been proposed.

“10. Against these reasons for not adopting the course recommended by the Chamber of Commerce, there are to be set the reasons adduced in favor of that course in the letter from the native shroffs

The letter of the native shroffs and merchants is important as showing the feeling of the two classes of natives most competent to form an opinion upon the subject. They are entirely in favour

and merchants which you have transmitted with the recommendation.

“These reasons are—

“Firstly, the greater convenience of those who have occasion to remit or carry money from place to place, and the preference given by natives to gold on account of facility in hoarding it; and, secondly, the diminution of difficulty in obtaining silver from England, and of derangement in the money markets of Europe.

“11. As regards the first, the Governor General in Council does not under-rate the advantage to the community of making money portable. His Excellency considers that it furnishes a good reason for coining gold, and for placing gold money within reach of the public, to be used at their option;—and this the Government of India already does;—but that it would by no means justify the Government in making the hopeless attempt to fix the value of the gold coin by law, and in compelling the acceptance of it at that value.”

and to the native bankers whose places of business are so very confined, the large space which silver occupies is exceedingly inconvenient. The advantage on this account of a gold currency would, by them, be fully appreciated. The Governor General, sensible of this advantage, considers it a good reason “for coining gold, and for placing gold money within reach of the public, to be used at their option;—and this the Government of India already does.” There is no gold money which is a legal tender, and until the creditor is obliged to receive a gold coin in payment from his debtor, it cannot be used at

of gold as a currency; and it was a currency in India long before the British had a footing in it. They lay stress upon the *portability* of gold as compared with silver as one of the reasons for now introducing the former into the Indian currency, and this is a point on which the native shroffs and merchants who signed the letter to the President of the Chamber can speak from practical experience. Some of them have agencies and dealings all over India, and there being no paper currency, they are necessarily compelled to keep large reserves of rupees in silver, the trouble and expense of moving bulky sums of money from place to place is very serious. Many shroffs are obliged to hold sums varying from £50,000 to £100,000 in silver, the weight of the former sum being $5\frac{3}{4}$ tons, and of the latter sum $11\frac{1}{2}$ tons. The same amounts if held in sovereigns would be cwts. $7\frac{2}{3}$ and cwts. $15\frac{1}{3}$ respectively? The Bank of Bengal when it comes to have nearly two millions of silver, can scarcely find room for it in its spacious vaults,

his option—it is not money in the ordinary acceptation of the word. It is true that under Act XVIII of 1835 it was enacted that a gold mohur is of the weight of 180 grains, of the standard of 165 grains of pure gold to 15 grains of alloy—a five-rupee piece equal to a third of a gold mohur—a ten-rupee piece equal to two-thirds of a gold mohur, and a thirty-rupee piece or a double gold mohur all of the above standard. The same act enacted “that no gold coin shall henceforward be a legal tender in any of the territories of the East India Company.” But subsequently it was declared that, on and after 11th November 1840, officers in charge of public treasuries were to receive these gold coins as a legal tender without any limit, and gold mohurs therefore came to be freely coined, and received by Government at their treasuries all over India. After the Californian and Australian gold discoveries, the above order was, for some reason or other, withdrawn, much to the inconvenience of such of the public as happened to have gold mohurs in their possession; but being no longer a legal tender, or a currency at the treasuries, gold mohurs were no better than so much gold at its market value—the coinage stamping its weight and purity merely. Gold mohurs after the above prohibitory order could no longer be called money in India, any more than a piece of lead or copper, or of any other metal, or commodity of the same value, in the market can be called money. The Governor General considers that although it is a good reason for coining gold, the portability of it “would by no means justify the hopeless attempt to fix the value of the gold coin by law and in compelling the acceptance of it at the value.” The Government, when it ordered the gold mohur to be received at its treasuries on and after 11th November 1840, did fix the value of the gold coin which it now considers it would be hopeless to attempt to do. Nor is there any more hopelessness, nor any greater hardship, in compelling the acceptance by the Indian public of sovereigns to a limited amount, at a fixed value, than in compelling them to take sixteen annas of copper as equal to a silver rupee, or in compelling the English community to receive forty shillings of silver as of the same value as two gold sovereigns.

“The fact that gold is easily hoarded is one which may properly be taken into account in estimating the amount of gold coin which should be supplied to the country; but in the opinion of the

In the remarks contained in this paragraph, the Committee of the Chamber beg to concur, nor do they believe that when the native merchants and shroffs noticed in their letter, as a fact, that the

Governor General in Council it natives of India prefer gold to cannot be represented seriously as silver, on account of its being so a ground for making gold a legal much more easily hoarded than tender.” silver, it was meant to be represented

seriously by them as a ground for making gold a legal tender. They know that a very large amount of the current silver coin is yearly hoarded, and they supposed it to be in every way advantageous that there should be a sufficient amount of gold coin available for hoarding, so as to liberate the silver coin so taken out of circulation, for the purpose of its being again made use of in the daily dealings of the poorer classes.

“12. As regards the second reason, the Governor General in Council does not admit that the evils which the writers of the letter describe, and which, they assume, would be diminished by the measure proposed, are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself. The price paid for the silver lately sent from England—5s. 2d. an ounce—is, in the opinion of the Governor General in Council, no sufficient evidence of this.”

In their letter the native shroffs and merchants noticed the extraordinary and continuous flow of silver from Europe to the East for several years past, the difficulty experienced in obtaining all the silver necessary to keep up the supply for this purpose, and the frequent derangement observable in the exchanges and the money markets of Europe, attributable to the withdrawal from the Continent of such large sums of silver, and to the transmission thither of gold from England to pay for it. In their opinion the evils alluded to would be diminished or avoided were there a gold currency in India, because gold sovereigns would then be shipped at much less cost to the shipper than silver, which has, in consequence of this demand, risen some three to four per cent. in price. The Governor General does not admit that the evils in question are such in degree as to call for the adoption by the Indian Government of a measure which would be embarrassing and hurtful within India itself. The native shroffs and merchants believe (and the Committee of the Chamber concur with them) that the proposed measure, if adopted, will prove to be the very reverse of embarrassing and hurtful to India, and to England, and the other countries with which she now carries on such an important trade. It would greatly facilitate the exchanges between India and

those countries, and the adjustment of the heavy balance of trade always in her favour to the advantage of all concerned, a consideration of importance, and by no means to be overlooked by those to whom the Government of India is entrusted in estimating what is best calculated to promote her progress as a commercial nation.

In estimating the advantages of gold as compared with a silver coinage, the native shroffs and merchants have omitted the greater durability of gold and the less tear and wear, and therefore the greater economy of the gold in comparison with the silver coin, the wear and tear of gold being estimated at one-tenth, and of silver at one-third per cent. per annum.

The Committee of the Chamber, in suggesting for the consideration of His Excellency the Governor General in Council the expediency of adopting gold as a legal tender to the amount of 20 sovereigns or 200 rupees, fixed that limit in the expectation that being so very moderate a change, His Lordship was not likely to meet it with any serious objection. They would have suggested a much more extensive alteration if there seemed any probability of its being entertained—the views of the Committee of the Chamber being in favour of adopting gold as a standard in place of silver, and of making silver and copper ancillary to gold, in the same proportion as in the currency of Great Britain. The adoption of the English standard, they are persuaded, would, in the course of time, result as beneficially for India as upwards of forty years' experience has proved it to have done for England, who effected the change in her standard in 1816, after having contracted upwards of 800 millions of her debt, while India's obligations to her creditors do not at present amount to more than 100 millions, chiefly of recent contraction.

In conclusion the Committee of the Chamber direct me to state that they feel so satisfied of the benefits that will be sure to result from the admission of gold, even as a subsidiary currency, into India, that they will be thankful if the Governor General in Council will be pleased, as an experiment, to sanction gold as a legal tender to any smaller amount than 20 sovereigns, down to 2 sovereigns as a minimum.

*Financial Despatch from the RIGHT HON'BLE SIR CHARLES WOOD, BART.,
G. C. B., Secy. of State for India in Council, to His Excellency the
Right Hon'ble the Governor General of India in Council,—No. 109,
dated 4th November 1859.*

The question of the introduction of a Government paper currency for India, which forms the subject of your despatch dated the 27th April 1859, No. 61, has received from Her Majesty's Government the consideration due to its importance.

2. In the Memorandum which accompanied your despatch, your Financial Secretary suggests the issue of local Notes by Government, the same to be receivable at the option of the public, and to be convertible at a few large treasuries, conveniently situated in circles of country from 300 to 400 miles in diameter; the lowest denomination of such notes to be 10 rupees.

3. You, however, consider that, although such a measure would certainly be productive of some advantage and would prove convenient, both to the public and the Government, it is, nevertheless, open to serious risk, and that there is at present an objection to the scheme on the ground that it would be unwise to introduce it while the security of the Indian Government is still regarded with some degree of mistrust by the Indian community.

4. Her Majesty's Government are fully sensible of the advantage which might be derived from introducing a well-regulated paper currency into India; but the wisdom of cautiously avoiding any measure calculated, however slightly, further to increase the sensitiveness of the Indian money market, is so manifest, that they are not disposed at present to direct the introduction of a paper currency, whether in the form of Government Notes, or by means of extended privileges to the chartered Banks. I am, however, anxious that your attention should continue to be directed to this subject; and I shall be prepared to give every encouragement to a well-considered measure for the purpose, whenever the time shall appear to you to have arrived for introducing it.

5. As being intimately connected with this question, the advantage of giving to the "sovereign" currency in India, at a rate to be fixed from time to time by Government, has also been under consideration. At the present time the gold mohur, or 15-rupee piece, is not receivable

at the Government treasuries, its receipt having been prohibited by a Notification dated 22nd December 1852, when it was found that the mohur would not circulate at the prescribed rate of 15 rupees, but was freely returned to Government to be exchanged for silver, and an apprehension was entertained that the Government treasuries might be overloaded with gold.

6. A similar result might, in certain cases, arise from the circulation of the "sovereign" at a fixed rate; and as there is considerable difficulty in adopting any measure which has been suggested for the purpose of giving currency to gold coins, Her Majesty's Government refrain from issuing any directions on the subject, until it shall have been further considered by your Government.

Minute by the RIGHT HON'BLE JAMES WILSON, dated 25th December 1859.

1. In the Financial Despatch, No. 109, dated the 4th of November 1859, from the Secretary of State, upon the subject of a paper currency for India, the consideration of the Indian Government is invited to the question which has recently been much discussed, of introducing the English sovereign, or some other gold coin, into the circulation of India, as being one intimately connected with that of a paper currency.

2. The discoveries of gold of late years, and its diminishing price in relation to silver, added to the great demand which has latterly existed for the latter metal for shipment from England to India and China, have combined to create a strong public feeling in favour of making use of gold, in some form or other, as part of the circulating medium of India.

3. No one will be inclined to deny that if we had to begin a system of currency *de novo*, the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, gold coin the general money in circulation, and silver tokens of limited tender the subordinate coins.

4. But we have to deal with a long-established standard of silver in India, in which liabilities to a large amount, in the shape of public debt, and obligations of varied character, running over a long series of years, have been incurred in silver. For it must be borne in mind that a contract to pay a given sum of money is nothing more or less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith with the creditor. It is true that the metal in which a debt has been contracted may fall in value by a large increase in its quantity, but that is a risk which the creditor runs, and of which he has no right to complain. In like manner the metal may rise in value, but that is a risk which the debtor incurs when he enters into the transaction, and of which, therefore, he has no right to complain. If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day, however much wheat may have fallen in price in the mean time, the receiver has no right to complain, any more than the deliverer would have, had it in the mean time risen as much in price. But if the person whose duty it was to deliver wheat, finding that it had risen much in price since the contract was made, sought to deliver barley or some other grain, which in the mean time had become relatively cheaper, the injustice of such an attempt would be patent. But it would be equally unjust, after a contract had been made in a silver standard, to change the standard into gold, because it was becoming more plentiful, and, in relation to silver, likely to become cheaper.

5. Since the first discovery of California, this subject has been much forced into discussion, owing to the various ways in which a great and sudden increase in the supply of gold was likely to affect various countries. The first impression was, that a great fall would take place in the price of gold as measured in silver. Up to this time, however, the change in the relative value of these two metals does not at the outside exceed five per cent. Before the gold discoveries, silver was rarely so low as 4*s.* 11*d.* the ounce. Since, it has seldom reached, or at least exceeded, 5*s.* 2*d.* the ounce. But under the apprehension of a fall, the Government of Holland, proverbial for its caution, was the first to take alarm, and having then a circulation of both gold coins and silver coins, which were a legal tender at a fixed relation to each other, they demonetised the gold coin, leaving silver, the ancient standard, the only legal tender.

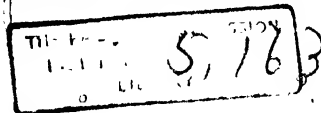
6. In Belgium a similar state of things existed. Their standard and chief coins were silver, but they had, chiefly for the convenience of travellers, attached a fixed rate to the gold coins of England and France, and had coined 20-franc pieces of their own. They followed the example of Holland, demonetised gold, and fell back upon the single silver standard and coin.

7. In India, coins both of gold and silver were in partial circulation. The mint proportion which those coins bore to each other was, that of 15·153 of fine silver to 1 of gold. The gold coin was not, however, a legal tender; but as the intrinsic value of the gold coin in the market was at least equal to the silver rupees which it represented, there was no difficulty in passing them, and the Government accepted them in the public treasuries at the nominal rate at which they were coined; but as soon as the price of gold began to fall, and the gold mohur piece was no longer of the same value as 15 silver rupees, it was evident, if the Government continued to receive them into the treasuries, without the power of paying them out at the same rate, that a great accumulation of gold pieces would have taken place, which the Government could not use as money, and upon which in the sale it must have lost considerably. To avoid this the Government had the choice of two plans; the one to reduce proportionately the rate at which the gold coins would be received, so as still to leave a margin for loss; the other to prohibit the receipt of gold coins altogether, and to accept only the legal tender coins of silver. They adopted the latter.

8. In the United States at that time they had a double standard of gold and silver, and coins of each metal; but as silver became dearer in proportion to gold, it was shipped away to so great an extent as to lead to great inconvenience for the want of small coins, the place of which could not be supplied with gold. In 1853, therefore, the American Government had recourse to the plan of reducing the weight of the silver coins (the dollar being reduced from 412½ grains to 384 grains of silver), so as to make them tokens, like the English silver coins, limiting their tender to five dollars, and thus adopting a single standard of gold.

9. In France a double standard had prevailed; at least since the decree of Napoleon the First in 1801. By that decree the relative value of gold and silver was fixed in the proportion of 1 to 15½; but as 6 francs are retained at the mint for coining a killogramme of gold into 155 pieces of 20 francs each, and 1½ francs are retained for coining a

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killogramme of silver into 40 pieces of 5 francs each, the proportionate value of the two metals as coined is, 1 of gold to 15·54, rather above 15½ of silver.

10. From 1801 to 1850 the market price of gold had always a tendency to rise, and, being more valuable in proportion to silver than the rate fixed by the decree of Napoleon, disappeared altogether from circulation, and commanded a premium. Silver consequently became the only actual circulation. Since the gold discoveries, the price of gold has fallen somewhat below the fixed rates, and in consequence, since 1850, a sum equal to one hundred and thirty millions sterling of gold has been coined at the French mint, and a corresponding amount of silver has been exported. For many years prior to 1850, little or no gold had been coined. This has led to a daily increasing scarcity of small coin, and to great inconvenience as a consequence; and it is quite certain, if the price of silver continues to rise, that the French Government must resort to some such plan as has already been adopted in the United States, in order to maintain in circulation silver coins for inferior denominations. Indeed, it is chiefly the fact that a large portion of the silver coin now in circulation in France has become considerably reduced below their full value by wear that has prevented their being exported.

11. In all the German States in which formerly gold coins circulated at fixed rates, they have been demonetised; and under a convention made in 1857, to which I shall have further to allude hereafter, silver has been reverted to as the sole standard.

12. From these examples it would appear that wherever the integrity of the single standard had been in any degree departed from, the small change in the relative prices of the metals which has taken place, not exceeding, as I have shown, five per cent., has immediately led to inconvenience, and to an alteration in practice, which in the matter of the money of a country is always to be deprecated. In England, fortunately, the single standard has not been tampered with, and it is, accordingly, almost the only country in which no change whatever has been made in consequence of the gold discoveries. No doubt there were at first not wanting those who, being owners of the public stocks, or recipients of fixed incomes, endeavoured to create a feeling in favor of some change, in order to avoid the depreciation in their property which they apprehended from the reduced value of gold. But they were at

once reminded that all contracts were made in gold, and that, whether gold rose or fell in value, the contract as between debtor and creditor must be maintained.

13. With all this experience before us, we are called upon to consider how far it would be wise again to tamper with the principle of a single standard in India, by admitting gold coins into the circulation under some assumed regulation which would avoid inconvenience.

14. I at once say that I know of no conceivable regulations by which such an object could honestly be attained. But I am willing to consider all the various proposals which have been made for that purpose. These may be divided into five heads: First—Some propose the “sovereign,” or some other gold coin, should be introduced, and which should circulate at its market price from day to day, measured in silver. Second—Others propose that such a gold coin should be made, bearing the exact value of a given number of rupees, say 10, and that it should be made a legal tender for that sum for a limited period, say a year, when it should be re-adjusted, and again valued, and made a legal tender for a further similar period at the new rate. Third—Some propose that the English sovereign should be introduced as a legal tender for 10 rupees, but limited in amount to 20 rupees or 2 sovereigns. Fourth—Some propose to preserve a single standard, but to change it from silver to gold, adopting silver tokens for subordinate coins. Fifth—Some propose the simple adoption of a double standard of silver and gold, which all the others repudiate.

15. As applicable to most of these schemes, I may remark, that the chief object of a coin is that it shall represent a defined and fixed value well known to the simplest of the people. When it is deprived of this quality, it is reduced to the mere condition of a commodity which is to be bought and sold at rates varying with the fluctuations of the market. The true attribute of the coin is thus given.

16. This remark applies with great force to the first-mentioned of the four plans, for supplementing the Indian currency with gold coins. And if we consider what the practical effect would be, the proposal must be dismissed as wholly impracticable. Let a gold piece be coined to-day, representing the exact value in gold of 10 rupees, to-morrow the price of gold, either from a change in its intrinsic value, or from an alteration in the exchanges with England, where it is the sole standard, rises to Rs. 10-4, next day it rises to Rs. 10-8; in a day or two more, an importation having taken place from Australia, it falls

to Rs. 9-12, and then to Rs. 9-8, and so on, being influenced by all the accidents from day to day which determine the price of gold expressed in silver.

17. These fluctuations, moreover, may not only take place from day to day, but even during the same day. It would be impossible that such coins could answer the place of money. The Cambists and money-dealers could, no doubt, buy and sell and deal in such coins, just as they do now, in the metal itself, but except the fact that the quantity and quality of the metal would be ascertained without weighing or assaying, they could just as easily deal in and buy and sell gold bars. To call a coin "money," the value of which could not be vouched for from one day to another, to say nothing of the trouble of ascertaining and computing the fluctuations, would be a mere misnomer, and it is certain that no community would suffer the risk and inconvenience of such a system that could possibly avoid it.

18. The second plan proposed, though not open to the same objections, is still open to others almost as grave. A gold coin is to be made the exact value of 10 rupees; it is by law to be declared a legal tender for that sum for a year or some specific period of time, both in the hands of the Government and the public. During that period the price of gold, measured in silver, is continually falling; a profit is gained by the bullion-dealers, by importing gold, getting it coined, and forcing it into circulation at the fixed periodical rate. As the year draws to a close, when it is known that the rate will be revised, and the circulating-value of the coin reduced in conformity with the fall of gold, every one makes an effort to get rid of the gold coin,—a struggle takes place, in which the public exchequer takes a prominent part, for every one to divest himself of gold coins, and thus to avoid an inevitable loss. But on some one it must fall, and there could not but be great dissatisfaction in the public to find, on a given day, the value of a large quantity of the coin in its possession, which they had no choice to refuse, depreciated by two, three, or four per cent.

19. When the monetary convention was entered into between the Austrian Government and the States of the Zollverein, in 1857, with a view to obtain a uniform and general currency, silver was adopted as the existing standard; but as some States were anxious to retain a right of coining gold, after the greatest consideration, no better plan could be devised than this most imperfect one. But the difficulty of giving

a fixed value was found to be so great, that Article XVIII of the treaty declares that "the silver value of the conventional gold coins will be alone regulated by the relation of the supply to the demand, and they will, therefore, not possess the property of representing an amount of legal silver coinage as a medium of payment." But it is further provided by Article XXI, "that each State is to be at liberty to allow such gold coins to be taken at their treasuries, in lieu of silver, at a rate of exchange to be beforehand decided upon. Such pre-decided rate of exchange shall last, at the utmost, six months, and at the close of the last month is to be each time reconsidered for the next similar period."

20. As far as I can learn, and as might have been expected, a system of gold currency so imperfect and exposed to such uncertainty has practically remained a dead letter. To show the opinion which the parties to the convention entertained of the plan, they took care, in Article XXII, to stipulate that all paper money issued by the State should be solely for silver, and payable in that metal. I may conclude, then, that it would not be thought desirable to adopt this plan.

21. The next and third proposal is to permit the circulation of the sovereign to a limited amount, say of 20 rupees. This idea seems to have originated in the system adopted in England of giving to the silver coins the character of tokens, not of full value, and limiting the amount of tender. But it must be borne in mind, that while this can be done with the low-priced metal, which represents small transactions, it cannot be done with the high-priced metal, the chief object of which is to represent large payments. The objections to the plan may be thus stated: as long as gold was of a value above the ratio which the coin represented, it would not be circulated at all, but when it fell below that value, every effort would be made to force it into use. The consequence would be that shop-keepers and small dealers would receive many of their payments in a coin with which they could not make large payments without a loss. They might receive 100*l.* in a day from fifty customers, and when they came to place the 100*l.* in the Bank, or to use it for a payment to a merchant, they would have to submit to a loss equal to the discount upon the gold. From the Mint Regulations in England a similar loss cannot happen. A similar source of loss would be experienced by railway companies, whose fares would be paid in a coin which they could not dispose of in large sums, except at a loss.

22. The fourth proposal is to adhere strictly to a single standard, but to change it from silver to gold. As I have already said, I freely admit that if we had to begin *de novo*, convenience would point to a gold standard with silver token coins as the best, although public opinion has been by no means agreed upon this point. It is curious to observe the fluctuations of views upon this subject, and how much they are governed by expediency and convenience at the moment. In 1837, during the panic, silver happened to be rather abundant in the London market, and difficult to be converted into bank notes or gold, not being a legal tender. A great pressure from the merchants of London at that time, and again in 1847, under similar circumstances, was made upon the Government of the day, to admit silver into circulation, exactly similar to that which now prevails in respect to gold where silver is the standard. I have a very clever pamphlet lying before me, entitled "The Injury, Insufficiency, and Inconvenience of a Gold Standard," in which arguments are used quite as strong against that system as now prevails against a silver standard. If a Government were to vacillate in a vital matter of this kind according to the convenience or interest either of the debtor class or the creditor class, the integrity of any standard would be entirely lost.

23. But though I admit that a gold standard does possess superior advantages, yet, as I have already shown, in a country where all obligations have been contracted to be paid in silver, to make a law by which they could forcibly be paid in anything else, would simply be to defraud the creditor for the advantage of the debtor, and to break public faith.

24. The fifth and last plan proposed is to adopt a double standard, such as prevailed in the United States previous to 1853, and such as still prevails in France. The system of a double standard is practically a permission for the debtor to pay his debts from time to time in the cheapest of the two metals. As I have already remarked, where such a system has existed from ancient times, and when under it the great bulk of obligations have been contracted, the creditor has no right to complain of being paid from time to time in the cheapest of the two metals, because that was the condition of his contract; but in cases where a single standard has long prevailed, the adoption of a double standard is just as much a breach of faith as a simple change of the standard; for it must be plain that the introduction of a double standard is practically the adoption of the cheaper of the two metals at the time.

25. But unjust as such a change would be, inconvenient as a double standard has proved in practice, and inconsistent as it is in principle, yet I have no doubt, if it is desired to have the use of both metals in a circulation of full value as coin, that it is the best mode in which that object can be attained. In all the other ways in which it has been attempted to circulate gold coins with a silver currency, the principle either of a varying value from day to day, or that of a periodical adjustment of value, the coin circulating in the mean time as a legal tender, has been found needful. Under either of those plans, the holders are less or more subjected to immediate and individual loss; in the case of periodical adjustment, as is proposed in Germany, it may be to considerable loss. But in the operation of a double standard, the one coin, which is gradually becoming of less intrinsic value, gradually and from day to day, displaces the coin which is undergoing appreciation; large supplies of the cheapening coin come from the Mint, and corresponding quantities of the appreciating coin are brought up and exported at a profit; but as long as the two coins circulate together, and to whatever extent they do so, they are in the hands of the public of the same nominal value, and continue, without any intermission, to answer the same purpose for all daily uses. However objectionable, therefore, a double standard may be, and however inconsistent with theory, I hold it to be the least objectionable of all the plans yet proposed for combining the use of the two metals in coins of full intrinsic value circulating in the same currency.

26. But I would ask, what advantage could be expected from the adoption of gold in India? Upon this subject there is, I believe, much confusion of ideas. It is said that gold is becoming more plentiful, and that the demand for silver is making it scarce. Now, the extent to which this is true in practice must be measured by the rise which has taken place in the market price of silver, which I have shown does not exceed five per cent. But supposing it were greater, would that be a reason for using gold? If India requires a supply of the precious metals, it can only be obtained in exchange for its products in foreign markets, and the quantity of those metals, whether of gold or silver, will be obtained in the exact proportion which they bear to the products of India for which they are exchanged. India is quite as well off to receive silver as gold, and perhaps better, inasmuch as silver seems to be an appreciating metal, while gold is probably still falling. Nor can it be deemed to be a disadvantage to India that the silver remitted for its products has to be obtained in exchange for the gold received from California or Australia in

London. These different movements in the distribution of the precious metals to the points at which the exchanges of the world direct them, are all determined by general broad principles, which are self-acting, and which any artificial attempt to disturb or control can only tend to derange.

27. In whatever form India receives its payments from the exterior world for the balance of its exports over its imports, whether in gold or in silver, can matter not, so long as the full value is received.

28. I know it is said that gold coins are much more convenient for circulation than silver. If this refers to the removal of Government treasure from one part of the country to another, then I much doubt if any important advantage would attend gold coins. The expense of removing coin is, no doubt, in a very small degree determined by its weight and bulk, but to a much greater extent by the necessity of protecting it. It would require just as much of an escort to protect the sum of 100,000*l.* in gold as if in silver, and perhaps even more so, inasmuch as the compactness and lightness of gold would render it a more tempting and handy prize to the robber than bulky and weighty silver. Again, I doubt much whether there would not be somewhat greater danger to local treasuries containing gold coin than silver. It is a very suggestive fact, that during the mutiny the gold mohurs of 15 rupees commanded such a premium, owing to their greater convenience for concealment or removal, that the price of 26 and 27 rupees was given for them.

29. But if the convenience referred to alludes to the use of gold coins or private expenditure, then I readily admit their value to that extent. But I would submit that for this purpose, and for all others that have been suggested, a well-regulated paper currency, such as I have described in another Minute of this date, would answer much better, while the ancient single standard of the country in which all existing obligations have been contracted would be maintained in all its integrity.

JAS. WILSON.

GOVERNOR GENERAL'S CAMP; }
MEERUT, }
25th December 1859.

FINANCIAL DEPARTMENT,—No. 3.

To the RIGHT HON'BLE SIR CHARLES WOOD, BART., M. P., Her Majesty's Secy. of State for India,—dated Camp Delhi, 29th December 1859.

SIR,—In continuation of my separate letter of this date, No. 2, I have the honor to forward, for your information, copy of a Minute by the Right Honorable Mr. Wilson, dated 25th instant, on the proposal to introduce a gold currency into India.

I have, &c.,

CANNING.

Financial Despatch from SIR C. WOOD, BART., G. C. B., Secy. of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No. 86, dated India Office, London, 26th May 1860.

MY LORD,—I have to acknowledge the receipt of your Excellency's Despatch in this Department, dated the 29th December last, No. 3, forwarding a Minute by Mr. Wilson, on the question of the expediency of introducing a gold currency into India.

2. Without entering into the reasons contained in Mr. Wilson's Minute, Her Majesty's Government concur in the opinion therein given, that it is not advisable at present to take measures for introducing a gold currency into India, as they believe that the wants of the community will be better met by means of a paper currency, the introduction of which was sanctioned in my Despatch in this Department, dated the 26th March last, No. 47.

*Extract from a Minute by the HON'BLE S. LAING, on the Paper
Currency Bill.*

“There is another point of considerable importance, on which I purpose to introduce an amendment.

“The Bill, as now framed, contemplates the absolute and entire exclusion of gold from the circulation of India.

“I must confess that I feel very reluctant to base a great measure, for reforming the circulation of India, on the total exclusion, for all time to come, of that form of the precious metal which is indisputably the most convenient for many purposes, and which is the chief or sole standard of all the principal nations of the civilized world, with which we have commercial intercourse.

“Surely it is not desirable that the trade of India, with such countries as Australia or the United States, should be for ever taxed with the difference of the cost between sending gold direct here, or sending it first to London, then probably to France or Germany, to exchange for silver, and finally sending that silver to Bombay or Calcutta.

“It is universally admitted that, if we could begin *de novo*, the English system of a gold standard, with a silver token currency for small amounts and convertible paper for large payments, would be the most desirable; and, if we cannot at once attain this object, we ought, at least, to approximate to it as nearly as we can, and leave an opening for possible further progress.

5163.

“I am aware of the arguments urged in Mr. Wilson's able Minute of the 25th December 1859 against any form of a double standard.

“I do not concur with many of these arguments, more especially with the fundamental one, which lays down that it would be a breach of faith, under any circumstances, for the State to pay in gold liabilities contracted in silver.

“Several of the principal nations of the civilized world have practically changed their standard, without suspicion or breach of faith: France and the United States, for instance, from silver to gold, Holland and other States, from a double standard of gold and silver to one of silver only; and if this were the only obstacle, I think arrangements would be easy by which the public creditor might have the most ample security for being paid in *money*, represented by coin of not less intrinsic

and not less exchangeable value than that which represented money, when the debt was contracted.

"But I do not wish to discuss the subject further, for the other practical difficulties of introducing a gold currency, concurrently with the enormous silver currency now in existence, are, if not insuperable, so great, that I should be afraid of delaying the measure indefinitely if I attempted to solve them.

"All that I propose is one simple alteration, not at all inconsistent with the principle of the Bill, as it stands, and of a silver standard. It is this:—

"In England, where gold is the sole standard, the Bank is authorized to issue paper, to the extent of not more than one-fourth of its circulation, against silver.

"I would reverse the process, and provide that, of the paper circulation of India to be issued against actual coin or bullion, a proportion, not exceeding one-fourth, might be issued against gold coin or bullion, at rates to be fixed by proclamation, and which might be periodically adjusted with proper notice.

"The rate would have to be fixed so as to secure the State from risk of loss in having to convert this gold into silver, in order to meet the notes which had been issued against it; and this would necessitate a low rate at which gold would probably not be taken to the Mint, to exchange for paper under ordinary circumstances. But, on special occasions, and in particular transactions, it might be a great advantage to the mercantile community to know that gold could be made available, as money, at a fixed rate; and I think it not impossible that, with a minimum value thus established at which it could be taken at the Mint, and at Government Treasuries, the superior convenience of gold and its attraction for the Native population, might give it a marketable value, at which it would be largely imported. If, for the sake of illustration, the sovereign were taken at the Mint and principal Treasuries at ten, or the gold mohur at fifteen rupees, it is quite possible that their market value would range up to eleven or sixteen rupees respectively; in which case, without risk to the Treasury, and without disturbance to the silver standard, gold would flow in; a great convenience would have been afforded to international commerce, and to the general public; and a foundation of experience laid upon which, after careful induction, it might be possible to go further in the same direction.

32 **EXTRACT FROM A REPORT OF THE SELECT COMMITTEE.**

“If, on the other hand, gold did not enter into circulation under these conditions, it would prove that silver, with a secure and convertible paper currency, gave perfect confidence, and answered all the wants of trade and of the community; and the enactment would remain a dead letter, and be perfectly harmless.

“The object would be attained by a short proviso at the end of the 9th Section.”

*Extract from the Select Committee's Report, dated 16th February 1861,
on the Paper Currency Bill.*

“With reference to the question of gold, we have introduced an important amendment.

“Without attempting to discuss the questions which have been raised respecting a double standard, or to depart in any respect from the principle of a sole silver standard, we have thought that it would be a considerable advantage to provide for the possible application in India, of the same principle as regards gold as is applied in England in regard to silver.

“In England, where gold is the sole standard, the Bank of England are authorized to issue not exceeding one-fourth of their gold coin and bullion against silver.

“We have given a power of issuing up to one-fourth part of that portion of the circulation of India, which is represented by actual coin or bullion, against gold coin or bullion, at a rate to be fixed by the Government from time to time, and not altered without six months' notice.

“With ordinary prudence the Government cannot lose by taking a limited amount of gold at a price to be fixed by itself, while it may be a great convenience to commerce in many cases to know that gold can be made available as money at a certain fixed rate.

“Nor is it impossible that, if a certain fixed *minimum* value be thus given to gold, and it can be freely taken at the Government Treasuries at this rate, the superior convenience of gold, and its adaptation to Native wants, may give it a higher value; and thus, in course of time, a considerable auxiliary gold currency may be introduced. Should these expectations not be realised, no harm will have been done, and the clause will simply remain a dead letter, showing that, with a sound paper circulation superadded to silver, nothing more is wanted.”

Extract of the Paper Currency Bill.

(* Section IX of the Original Bill.)

* The Head Commissioner, the Commissioners, and the Deputy Commissioners or *Agents* shall, in their respective "Circles of Issue," on the demand of any person, issue from the Office of Issue of their respective Circles such Promissory Notes, on the terms following :—

First, in exchange for the amount thereof in silver coin of full weight of the Government of India; or, *secondly*, in exchange for the amount thereof in standard silver bullion or foreign silver coin computed according to such standard at the rate of¹ 979 *Rupees per 1,000 tolahs of standard silver fit for coinage*; provided always that the said Head Commissioner, Commissioners,² Deputy Commissioners, and *Agents* shall, in all cases, be entitled to require such silver bullion and foreign coin to be melted and assayed at the expense of the person tender-

ing the same, and provided also that in all

places where there is no Mint of the Government of India, it shall be optional for any such Head Commissioner, Commissioner,³ Deputy Commissioner, or *Agents*, to issue Notes in exchange for silver or foreign coin under this Section; or, *thirdly*, in exchange for other Notes of the Government of India payable to bearer on demand of other amounts issued within the same Circle. *Provided also, that it shall be lawful for the Governor General in Council from time to time to direct, by order to be published in the Gazettes of Calcutta, Madras, and Bombay, that Notes to an extent not exceeding one-*

¹ per ounce;

² and

³ for

fourth of the total amount of issues represented by coin and bullion as hereinafter provided, may be issued at such Offices or Agencies of Issue as may be named in the order, in exchange for gold coin of full weight of the Government of India, or for foreign gold coin or gold bullion computed at rates to be fixed by such order, and which rates shall not be altered without six months' previous notice.

Extract paras. 21 to 24 of a Despatch from the Secretary of State, No. 75, dated 2nd May 1861.

21.—“I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India, (as it is, I believe, in Ceylon) ; but, at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign. If, by any change in the relative value of the two metals, a sovereign and 10 rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India ; but at present it can only be taken at its value as gold ; and that value will vary from time to time, according to the demand at the moment for that metal.

22.—“This value must be determined amongst traders for themselves ; and the Government will only embarrass itself, and effect no purpose, by attempting, in any way, to vary or alter the ordinary operations of trade.

23.—“If gold should ever become the standard of India, the reserve of the Issuing Banks would be held in gold, and not in silver, and in that case all this provision of the Act would have to be changed.

24.—“I will not, however, object to the power given by the clause ; but I desire that it may be used to a very limited amount, and only in the Presidency towns.”

Extract from a Minute by the HON'BLE S. LAING on Currency and Banking,—dated 7th May 1862.

“ The only remaining point to notice is as to the partial introduction of gold. I have always thought that the step taken by the Indian Government, in December 1852, of refusing to accept gold at the Government Treasuries, was a mistake. Gold being the most convenient and portable metal, and becoming more and more every day the currency of nearly the whole civilized world with which India has commercial transactions, it seems to me very undesirable to exclude gold altogether from the ordinary range of its monetary transactions.

“ Were it possible to create *de novo* a currency for India, there can be little doubt that one similar to that of England would be the best, viz., with a gold standard and gold coins for moderate sums, a silver token currency for small transactions, and notes representing gold for large amounts. But with a silver standard and an immense silver coinage actually existing, the introduction of a gold coinage becomes difficult.

“ I do not agree with many of the objections which have been urged against the adoption of a double standard, and if the alternative had lain between this and the abandonment of the principle of uniformity, by issuing notes in distinct circles, I should not have hesitated to prefer the double standard.

“ But this object being attained, there are no doubt difficulties in the way of a double standard, which it is better to avoid, and in fact the adoption of a double standard may be probably looked upon as a transition process to the abandonment of a silver and substitution of a gold standard.

“ This involved an amount of change which, especially under existing circumstances, when a season of tranquillity and repose in financial and monetary matters is very desirable, I was not prepared to recommend; and accordingly the only provision respecting gold inserted in the Currency Act was one by which the Government were empowered to issue notes to a limited extent, never exceeding one-fourth of the issue represented by coin or bullion, against gold coin or bullion, at rates to be fixed from time to time, and not altered without six months' notice.

“ The object of this was simply to leave the door open for cautious and tentative experiments with regard to the future use of gold. The importation of gold already exists and is increasing, and the metal is so

much appreciated by the Native population as generally to command a premium. It might therefore be a convenience to importers, and an encouragement to increased importation, if it were known that a certain quantity of gold could always be converted into money at a fixed rate, while, if this rate were fixed with a little margin below the ordinary market price, and adjusted, if necessary, every six months, no risk of loss to the Government would be experienced. Thus, after a time, if the use of gold became more general, and its value more fixed, some further step might be taken; but in the mean time the clause would only be acted upon where it was shown that it would be a convenience to commerce, and that the Government would run no appreciable risk. Indeed I should recommend the Government to wait for a year or two's experience of the working of the system just inaugurated before they take any step to put this clause as to gold into operation, unless upon an application from the mercantile community of one of the Presidencies, based upon strong grounds of practical convenience, in which case notes might be issued for gold at a safe rate at the Central Office of Issue of that Presidency."

Extract paras. 59 to 64 of Secretary of State's Despatch No. 158, dated 16th September 1862.

59.—“There is one other point put prominently forward in recommendation of that part of the scheme which relates to issuing notes on gold, i. e., that it will effectually contribute to the introduction of a gold currency in India, on which I must make some remarks.

60.—“How that result is to be produced is not explained. All that can take place under this provision is, that gold may be deposited with the Issue Department, and paper money issued thereon. The gold will remain in deposit until it is required by the public for consumption in trade, or for export. When so required, it will be taken from the Issue Department, and the notes taken out of circulation. In no case will the gold form part of the currency.

61.—“The only effect, therefore, likely to arise from that provision, if acted upon to any extent, is, that the paper circulation of India will be subjected to variations which would not have occurred with a circulation of silver, and of paper based on silver.

62.—“The question of introducing gold into circulation in India is a very important and very difficult one, but it has nothing to do with the issue of notes on gold.

63.—“The difficulties are of a practical nature, arising mainly from the uncertainty of the relative value of gold and silver, which is not likely to be determined while fresh discoveries of gold are being made.

64.—“If by any change in the relative value of the precious metals, the sovereign and 10 silver rupees should become of equal intrinsic value, the introduction of gold would be of comparatively easy accomplishment. At present, however, Her Majesty's Government do not consider that it would be expedient to take any step with a view to that object.”

*To the RIGHT HON'BLE SIR JOHN LAWRENCE, BART., G. C. B., K. S. I.,
&c., &c., &c., Viceroy and Governor General of India in Council.*

The respectful Memorial of the
Bombay Association

SHEWETH,—That your Memorialists beg respectfully to submit for the serious and favorable consideration of Your Excellency in Council, the following representation in regard to the question of the introduction of a gold currency into India :—

2. That the existing silver currency is no longer adequate for the wants of India, and that commerce begins to be seriously crippled by its inefficiency.

3. That from time immemorial until some years ago, India possessed an extensive gold currency.

4. That the superior convenience of this circulating medium was well understood by the natives of this country.

5. That the measures adopted by the British Government for the regulation of the money of India had the effect of gradually suppressing a gold and extending a silver currency, and that finally in 1835 an Act was passed declaring gold no longer a legal tender.

6. That these stringent regulations have virtually extinguished a gold currency in India, but have by no means extinguished its popularity.

7. That the few gold coins remaining in circulation are greatly prized and command a considerable premium in the market.

8. That rude attempts are made by some of the natives of India to remedy the defects of the present inconvenient silver currency, by circulating gold bars authenticated by the stamp of Bombay Banks.

9. That when the present currency was introduced into India, silver was much more abundant than gold, and on this account was probably adopted.

10. That large quantities of gold have now been discovered in adjacent countries, and that, this metal being now greatly more abundant than silver, the same reason which originally led to the introduction of silver, now should suggest the expediency of the introduction of gold.

11. That India annually imports and absorbs more silver than the whole world annually produces, and that this excessive drain must inevitably lead to serious embarrassment both to India and to the rest of the world.

12. That India annually loses a large sum by being virtually forced to purchase silver brought from distant countries, and weighted with heavy charges.

13. That gold might be imported much more conveniently and cheaply from Australia, and not only save expense to the country, but promote the general interests of India.

14. That direct trade with Australia is prohibited by the present exclusive silver standard and currency, and the expansion of the commerce of India thus seriously impeded.

15. That India cannot re-sell silver reaching her so burdened by charges, without loss, and is therefore obliged to absorb it.

16. That India might obtain gold at a rate which would enable her profitably to distribute it, and that its introduction, therefore, would not only check absorption, but add materially to the reproductive wealth of the country.

17. That a silver currency convenient for the people of India a quarter of a century ago, when trade was limited, and payments, in the main, extremely small, is very inconvenient now that wealth is largely diffused throughout the country, and the operations of commerce have become so enormous.

18. That the transport of this bulky and cumbersome currency entails constant and useless expense upon the country, and its consequent sluggish circulation is a serious impediment to trade.

19. That India is not yet prepared for a paper currency, and that the Currency Act of 1861 does not provide any remedy for the defects of the monetary system, which, the late Right Honorable Mr. Wilson admitted, "called loudly for amendment."

20. That currency notes do not circulate in the interior, and even in large towns in the Mofussil, only rank as Hoondies, and cannot be cashed except under heavy discount.

21. That the insufficiency of the existing currency has already caused severe financial embarrassment, and threatens the commerce of India with periodical and fatal vicissitudes.

40 RECOMMENDATION OF BENGAL CHAMBER OF COMMERCE.

22. That reform is, therefore, very urgently required, and cannot be delayed without endangering national interests.

23. That your Memorialists therefore respectfully pray your Excellency in Council to take this question into immediate consideration, and to restore a gold currency, which the altered circumstances of the world recommend, and which your Memorialists believe would be most popularly received in India, both from ancient associations and present convenience.

And your Memorialists as in duty bound will ever pray.

VENAYECKROW JUGONNATHJEE,

BOMBAY,
8th February 1864. }

Secretary, Bombay Association.

*From E. H. LUSHINGTON, Esq., Secy. to the Govt. of India, Finl. Dept.,
to the Committee of the Bombay Association,—No. 1123, dated
29th February 1864.*

In reply to the Memorial of the Bombay Association, dated 8th February 1864, for the introduction into India of a gold currency, I am directed to state that His Excellency the Governor General in Council has this important subject under consideration.

*From H. W. I. WOOD, Esq., Secy. to the Bengal Chamber of Commerce,
to Secy. to Govt. of India, Finl. Dept.,—dated 19th February 1864.*

I am directed by the Committee of the Chamber of Commerce to forward, for the information of the Right Honorable the Governor General in Council, a copy of a Resolution passed at a general meeting of the Chamber on the 17th instant.

2. The Resolution records the opinion that the introduction into India of an auxiliary gold currency would be attended with great benefit, and directs the Committee to address the Government of India on the subject, and pray for the appointment of a Committee to inquire into the best mode of introducing such an auxiliary currency.

3. In compliance, therefore, with that direction, the Committee have the honor to submit for the consideration of His Excellency their recommendation of the introduction of gold as an auxiliary currency, and their prayer that a Committee be appointed to inquire into the means best adapted for the introduction of such a currency.

4. The introduction of a gold currency into India is almost universally admitted as a positive necessity demanded by various circumstances, which have been gradually developed within the last few years; and the time appears to have arrived when that necessity should be at once recognised by the State, and measures promptly adopted for such a modification of existing monetary legislation as will best promote the commercial and social interests of the country.

5. The opinion of the Committee and of the Meeting was strongly in favor of the introduction of gold as an auxiliary currency, and as a tentative measure which they believe will gradually but surely lead to the adoption of gold as the general metallic currency of this country with silver as the auxiliary, but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India, and probably also in the money markets of Europe if a large quantity of gold were suddenly required to carry out such a change.

6. For convenience of reference, the Committee beg leave to append to this letter the correspondence which took place on this subject between the Government of India and the Chamber of Commerce in 1859, and they respectfully invite the attention of the Governor General in Council to the representation then made, and to the replies given to the several objections which had been raised to the proposed measure.

7. In placing these papers before His Excellency, the Committee consider it unnecessary at this moment to enter into a further discussion of the question, for in the event of His Excellency being pleased to appoint the Committee applied for, a separate report will be presented, and every point in connection with the scheme will no doubt be prominently noticed.

Resolution adopted at a Special General Meeting of the Bengal Chamber of Commerce, held on the 17th February 1864.

Resolved, that this Meeting is of opinion that the introduction of gold as an auxiliary currency into India would prove very beneficial; and that the Committee be instructed to address the Government of India on the subject, and pray for the appointment of a Committee to inquire into the best mode of introducing such an auxiliary currency.

From E. H. LUSHINGTON, Esq., Secy. to Govt. of India, Finl. Dept., to the Committee of the Bengal Chamber of Commerce, —No. 1124, dated 29th February 1864.

In reply to your Secretary's letter of the 19th February 1864, forwarding copy of a Resolution passed at a General Meeting of the Chamber on the 17th idem, regarding the introduction into India of an auxiliary gold currency, I am directed to state that His Excellency the Governor General in Council has this important subject under consideration, but it is not deemed necessary to appoint a Committee to enquire into the best mode of introducing such an auxiliary currency.

From A. D. ROBERTSON, Esq., Offg. Chief Secy. to Govt. of Bombay, to Secy. to Govt. of India, Finl. Dept., —No. 252, dated 7th March 1864.

I am directed by His Excellency the Governor in Council to forward, for submission to the Government of India, the accompanying Memorial of the Bombay Chamber of Commerce,* addressed to the Right Honorable the Viceroy and Governor General of India in Council, on the desirability of introducing a gold currency into India, together with copies of the Minutes recorded by the Members of this Government on the subject.

2. The Memorial of the Bombay Association referred to in paragraph 2 of His Excellency the Governor's Minute of the 23rd ultimo, has, it is presumed, been already forwarded direct to the Government of India

* Received with letter from the Secretary to the Chamber, No. 21, dated 19th February 1864.

by the Association. A copy of that Memorial, and of the letter of Mr. W. Cassels, referred to in the concluding paragraph of the Honorable Mr. Inverarity's Minute, are also herewith forwarded.

3. The Minute promised by His Excellency the Commander-in-Chief will be submitted as soon as it is received.

*To the RIGHT HON'BLE SIR JOHN LAWRENCE, G. C. B., G. M. S. I., &c.,
&c., &c., Viceroy and Governor General of India in Council.*

The respectful Memorial of the Bombay
Chamber of Commerce

SHEWETH—That the monetary condition of India is in a most unsound and unsatisfactory state, and that its exclusive silver currency is no longer adequate for the circulation of the increased and increasing amount of commodities through its vast population.

That within the last ten years the trade of Bombay has been trebled, and that last year the aggregate export and import trade alone, of Calcutta, Madras, and Bombay, amounted to 1,060 millions of rupees.

That the resources of India are only now beginning to be developed, and that its commerce and industry, now stimulated into healthy activity, are rapidly expanding in every direction.

That the wise regulation of our currency, therefore, demands the immediate and serious attention of Government.

That when our silver standard and currency were introduced, the production of silver amounted to double that of gold, and was, therefore, reasonably selected for this country.

That whilst the demand of India has enormously increased, the production of silver has remained unaltered, and has become insufficient.

That the annual produce of silver throughout the world does not exceed 10 millions sterling.

That during the last six years the average annual importation and absorption of silver by India alone has amounted to 11½ millions sterling, and that last year the amount imported was no less than 14½ millions.

That India alone, therefore, has consumed, during the last six years, on an average 15 per cent., and last year nearly 50 per cent. more silver than the whole world annually produces.

That the annual aggregate demand for silver throughout the world may be fairly estimated at about treble the annual production.

That great scarcity and enhancement in the value of silver must inevitably ensue from this excessive disproportion between demand and supply.

That the inevitable decrease in the amount of our currency, therefore, just at a time when the amount of commodities to be circulated has so enormously increased, and a consequent violent derangement of prices, cannot fail to be most disastrous to India.

That the continued drain of silver for India must derange, if not eventually destroy, the silver currency of all other nations.

That it is the interest of the world, as well as of India, to check the exhaustive drain of silver, by the introduction of gold into our currency.

That the special demand of India for silver does not arise from any predilection for that metal, but is compulsory, and due only to our exclusive and inconvenient silver currency.

That while the production of silver has remained unaltered, in spite of increased demand, and is so insufficient, the production of gold has largely increased, and annually amounts to at least 150 per cent. more than that of silver.

That this complete revolution in the relative quantities of the precious metals, and the discovery of gold in an adjacent country, naturally suggests the necessity of a corresponding adjustment of our currency, and the introduction of gold.

That while there is not enough of silver for India and for other countries, there is abundance of gold for all.

That while silver must be transported from a great distance, and reaches us burdened with heavy charges, gold may be cheaply procured from neighbouring countries.

That from its enhanced cost in India, we cannot profitably, or without loss, re-export silver, and its reproductive power is thus lost to this country.

That our silver standard and currency, therefore, force India to continue the "sink" of this precious metal, adding the reluctant absorption of commerce to the characteristic absorption of the ryot.

That instead of being the last recipients and absorbers of silver, we might become the first importers and the distributors of gold.

That India is virtually compelled to purchase silver, the dearer and scarcer of the precious metals, and prevented taking gold, which is cheaper and more abundant.

That obtaining money cheaper, we should obtain all other commodities cheaper also.

That the heavy charges with which silver is burdened are a serious and unnecessary loss to India.

That our exclusive silver standard and currency renders direct trade with Australia and other gold-producing districts impossible, and forces a country, with abundance of the more precious metal, to traverse half the globe in search of silver, before she can pay for our commodities.

That this prohibitive currency, which excludes us from commercial intercourse with neighbouring countries, must severely injure the interests of India.

That a silver currency is bulky and inconvenient, and entails much expense upon India.

That the cost of transport is a serious item in State charges and in private accounts, the weight of £1,000 sterling in rupees being no less than 312 lb 6 oz. troy.

That the mere loss of time in counting, weighing, and examining it, is vexatious and embarrassing.

That the cumbrous nature of our silver currency not only causes much heavy and unnecessary expense, but from the impossibility of its rapid transmission from point to point, renders it necessary for Government to retain large and unprofitable balances in various treasuries.

That the accumulation of Government and private funds, which the difficulty of transport necessitates, not only causes much loss of interest, but restricts all business operations.

That the introduction of a gold currency into India would promote an equable distribution of the precious metals, and restore their relative equilibrium.

That the superior convenience of gold, and its adaptation to native wants, would secure an immediate and intelligent welcome for a gold currency in India.

That the importation of gold has for many years steadily increased, though it is not a legal tender; the amount imported last year being nearly 7 millions sterling, and that, from the 1st May to the 31st

December, since the returns quoted, no less than $3\frac{1}{2}$ millions sterling of gold are imported into Bombay alone.

That there is an increasing tendency to the creation of a gold ingot currency, by the natives of this country, as a rude remedy for the defects of the existing silver one.

That gold bars, stamped with the mark of Bombay Banks, are for this purpose circulated in several parts of the country.

That the exclusion of gold from our currency cannot be justified, and cannot be considered other than barbarous, irrational, and unnatural.

That it is only just and reasonable that India should be allowed the benefits which she would secure from the introduction of a gold currency.

That recent financial derangements warn us of the necessity of immediate reform.

That the longer this reform is delayed, the more difficult will it become.

That your Memorialists, therefore, earnestly entreat your Excellency in Council to take this important question at once into serious consideration, and to effect an amendment which is so loudly called for, by introducing a well-regulated gold currency into India.

By order of the Bombay Chamber of Commerce,

WALTER R. CASSELS.

MICHAEL H. SCOTT.

ALEX. BROWN.

Minute by His Excellency the Governor of Bombay,—dated 23rd February 1864.

I would forward this Memorial to the Government of India without delay, with a request that the subject may receive the early attention of the Governor General in Council, as it is one of the greatest importance at the present moment to the commercial interests of this part of India.

2. I would add a copy of the very able Memorial of the Bombay Association, which may be taken as an expression of the views generally concurred in by the leaders of the native mercantile community.

3. These papers state so clearly the arguments in favor of the adoption of a gold currency for India, that I will confine myself to briefly expressing my own views as to the course to be taken by Government, assuming it for granted that, if the present demand for silver continues, the adoption of a gold currency will very speedily become a matter of necessity rather than of choice, and that our present duty, therefore, is simply to prepare the way for a change, which, supposing the present state of things to continue, may at no distant period be forced upon us.

4. I would, in the first place, act on the proviso in the last Clause of Section 9 of Act XIX of 1861.

5. The effect of this would doubtless be to substitute a considerable proportion of gold for the silver which is now imported into India, and, in proportion of such substitution, to relieve the inconvenience now felt by the absolute scarcity of silver in Europe.

6. It would also tend to expand the use of Government currency notes, and to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country, and which disappears from the circulation of our great commercial marts.

7. I may remark, in passing, that this absorption of silver of which we hear so much, is not, in my opinion, entirely owing to hoarding or the use of silver in ornaments; great quantities, I believe, go to furnish a currency where no general medium of exchange before existed. There can be no doubt rupees are now found in hundreds of small bazaars where all trade used to be conducted by barter, and if any one who is acquainted with the almost universal prevalence of barter a few years ago in all but the larger bazaars of country districts will reflect on the amount of silver which must be absorbed before all the petty bazaars of the country are furnished with silver coin as a medium of exchange, he will at once perceive that it must occasion an absorption of silver quite as important as the practice of hoarding, or of converting silver into ornaments.

8. It has been objected to the proviso in Section 9 of the Paper Currency Act, that Government might be embarrassed if they got too large a quantity of gold as compared with silver in their treasury in exchange for notes; but I am convinced that there is no ground whatever for apprehension on this score, because, in the event of any panic which might cause a run on the Bank, nine natives out of ten would prefer to exchange their notes for gold rather than for silver, owing to its superior portability.

9. When we have had time to see the effect of issuing notes against gold, we shall be in a better position to consider what further steps may be called for. Probably the next step would be to allow the Government revenue above 10 rupees to be paid in sovereigns. It is clear that there must be a much larger amount of gold than at present in common commercial use before the question of the necessity for a change in standard can become one of immediate practical importance.

10. It will probably be necessary that we should first pass through the inconvenient and anomalous stage of a double or alternative standard; but I cannot see that at the present stage Government can be reasonably expected to do more than I have above proposed.

H. B. E. FRERE.

Minute by His Excellency the Commander-in-Chief,—dated 25th February 1864.

I will not now detain these papers. I have been for some time engaged in the investigation of the question which has now been formally proposed by the Bombay Chamber of Commerce for the consideration of His Excellency the Viceroy and Governor General in Council. I purpose, in consequence, to submit my views in detail to the Board at an early date. In the mean time I would ask to signify my concurrence in the prayer of the Memorial.

W. R. MANSFIELD.

Minute by the HON'BLE W. E. FRERE,—dated 26th February 1864.

As this is not a question for our decision, I will not detain these papers further than to add my concurrence in the opinion given by His Excellency the President, and conviction that, as the first step in the monetary revolution we are now entering upon, or being driven into, action on the 9th Section of Act XIX of 1861 is imperatively called for.

W. E. FRERE.

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Minute by the HON'BLE J. D. INVERARITY,—dated 29th February 1864.

I think that the measure proposed by His Excellency the President, and concurred in by my honorable colleague, will be found to be totally inadequate to accomplish the end sought for by the Memorialists, viz., the introduction into India of a well-regulated gold currency.

2. It is an admitted fact that as yet the supply of the precious metals in India is altogether insufficient to meet the demands for currency purposes, and the introduction of a paper currency, unfamiliar to the masses, and unsuited to their habits and condition, has not been followed by any very great measure of success. Silver and gold continue to flow into this country in vast quantities. The appended Statements prepared in the Secretariat show that for the past nine years, 1854-55 to 1862-63, the imports of silver into Bombay in excess of exports stand at Rs. 33,89,69,774, a sum not far short of thirty-four millions sterling, and that for the same period the imports of gold in excess of exports stand at Rs. 16,51,91,298, or somewhat more than sixteen and a half millions sterling. These imports have largely increased year by year, and still the demand will be for more. During the current year it is expected the imports of silver over exports will not be far short of twelve millions sterling. "It is not," as expressed by a writer in the *Westminster Review* for last month, "any fall in the value of silver which has brought about the drain of this metal to the East, but simply the nature of the Indian and Chinese demand for our manufactures, which is very small compared with ours for their productions, but which is immense for silver, which represents to them everything desirable in their conceptions of luxury, comfort, and security. * * * * In spite of our troubles in India, and a state of chronic warfare in China, the increase of our trade with the East during the last ten years has been enormous. This, too, may be looked upon as only the beginning of a commerce that must grow to proportions which cannot be estimated. The most important feature, too, of Eastern trade is the manner in which it absorbs the precious metals. This is a peculiarity so intimately bound up with the social condition of the East, that it is likely to last as long as their ignorance and mutual mistrust. Until a system of credit can grow up among them like that which in Europe dispenses with the use of gold and silver for almost all things but retail transactions and the payment of labor, the East must ever remain a perfect

sink for the precious metals. What amount of money would be sufficient to saturate the hoarding propensities of these hundreds of millions of men? * * * There is no practical limit to the demand of the East for the precious metals except the industry that they can develop in its acquisition, and that industry is susceptible of indefinite development."

3. Dr. Nassau Lees, in his book "The Drain of Silver to the East," lately published, supports the same view at pages 43 to 46. He considers that the demand of the precious metals for currency purposes in India will not only continue for a very long time, but will yet be enormous. He shows that India is still capable of absorbing four or five hundred millions of pounds sterling of silver in addition to what she already possesses. The question then arises, can this enormous quantity of silver be provided for India? and as there can be but one answer, the alternative seems to be that prayed for by the Memorialists, viz., the adoption of a gold standard, and the introduction of a gold currency with subsidiary silver tokens, as set forth by Mr. Walter Cassels in his letter of the 1st ultimo, to the address of His Excellency the Governor. The action of the people themselves by largely importing gold, and by making it current in stamped bars, has already opened the way for Government to supply a long felt want, the continued existence of which may lead to future embarrassment. The bugbear of the possible fall of value in gold is thus well disposed of by the writer in the Review I have already quoted: "All the efforts which have been made to estimate the fall of value in gold by calculating the effect of the annual additions to the existing stock of the metal err by ignoring the immense effect of the additions themselves upon the productive industry of the world, and by overlooking the direct tendency of such a stimulus to re-establish the old ratio between the circulating medium and commodities, upon which ratio prices ultimately depend."

4. The prayer of the Memorial has my cordial support, and Mr. Walter Cassels' letter of 1st January 1864 on the same subject to His Excellency the Governor has my full concurrence, and might be submitted to the Government of India with the Memorial.

J. D. INVERARITY.

Statement showing the Value of Gold and Silver Imported into and Exported from the Port of Bombay during the period from 1864-65 to 1904-05.

GOLD.

		United Kingdom.	Aden.	Coast of Africa.	Arabian Gulf.	Bombay.	Batavia and Java.	Ceylon.	Cape of Good Hope.	Hongkong.	Other Ports in China.	France.	Gibraltar.	Mauritius.	New South Wales.	Penang, Singapore, and Straits of Malacca.	Perkin Gulf.	Somerset and Mauritius.	Suez.	Siam.	Pago.	Amherst.	Madagascar.	Indian or Home Ports British.	Indian or Home Ports British.	Total.	Imports in excess of Exports.	Imports less than Exports.	
1864-65	Imports	1,12,258	1,850	4,95,100			5,34,058		4,73,133	15,70,411				87,220	1,50,000	49,819	17,43,145		70,573					35,575	500	58,05,733	64,11,168		
	Exports	2,47,000				250	11,000		1,75,465															73,735	1,81,383	5,08,223			
1865-66	Imports	1,700	83,435	300	2,71,000		1,15,050		9,80,800	77,21,597				2,63,750	4,46,550	82,360	19,88,523		20,500					4,600	4,770	1,84,00,754	1,71,90,485		
	Exports		1,850						65							16,025	1,500							4,67,604	6,98,065	12,04,559			
1866-67	Imports	1,10,810	75,010	4,985	5,36,400		95,063		23,82,113	45,30,519				3,35,460	15,84,500	23,029	16,32,543		74,580					7,100	4,075	1,05,13,086	87,95,703		
	Exports						91,000		1,020	15,400						81,875								3,98,498	8,40,440	14,15,353			
1867-68	Imports	1,11,893	5,16,298	7,000	10,45,800		5,74,807		75,71,053	10,00,189				4,76,705	5,18,820	85,500	22,48,533		1,87,000					1,57,420	23,000	1,58,36,597	1,85,70,035		
	Exports		2,510				150		500															5,12,191	12,50,100	17,86,171			
1868-69	Imports	84,000	4,62,113	78,750	6,46,000		8,38,807		1,38,00,093	7,95,000				6,04,010	2,74,740	14,519	18,04,216		74,550					11,023	5,200	1,07,52,907	1,70,94,507		
	Exports		3,700													10,500								4,50,500	12,78,385	17,91,500			
1869-70	Imports	11,18,000	12,48,711	1,11,650	6,32,700		5,54,580		1,05,73,332	11,70,778	4,000	11,000	10,00,490	20,57,973	14,000	17,08,433		55,80,756						14,000	5,613	14,650	3,80,07,418	2,58,05,194	
	Exports		5,535				25,000									7,000			150					11,04,702	15,90,557	26,05,254			
1870-71	Imports	4,78,748	11,41,137	14,600	4,39,770		30,91,410		81,84,000	2,80,000				4,500	7,58,380	34,54,703	1,00,465	14,08,650		23,17,385					19,855	59,100	5,59,38,524	5,19,87,142	
	Exports		1,400	1,700			825									51,055			1,050					15,11,613	17,51,113	33,05,182			
1871-72	Imports	9,16,800	9,91,010	60,100	2,06,500		48,28,758		1,30,82,041	23,98,000				18,000	3,45,075	34,95,070	1,00,711	12,58,591		40,00,410					94,100	14,750	9,55,09,415	9,55,09,415	
	Exports		1,700						5,000							25,320	5,000							22,08,014	14,12,490	37,18,424			
1872-73	Imports	4,02,800	5,45,355	1,82,325	2,08,000		46,93,850		1,31,09,415	72,04,210				55,000	2,37,465	35,70,029	1,000	9,14,000		15,71,040					12,284	7,000	6,00,75,074	6,00,75,074	
	Exports		2,150													1,10,000	78,100							13,00,015	25,98,000	41,50,165			
																							Total	Imports	1,35,007	1,45,415			
																							Exports	81,51,243	1,08,40,079				
1880-81	Imports	53,15,845	6,30,265	13,000	3,57,460		50,73,295		1,22,27,115	50,48,898	2,71,000	6,000	4,65,810	1,54,70,504	4,42,416	3,34,459				81,57,598					28,900	7,600	3,31,16,490	4,40,77,541	
	Exports				18,900				100							1,400	55,756			1,159					9,95,992	26,19,353	40,85,385		
1881-82	Imports	17,97,000	10,115	8,600	58,450		71,10,000		1,72,83,230	70,63,679		22,415	2,50,000	1,87,81,123	3,81,550	5,50,600				56,64,337	415				2,08,187	33,540	2,89,14,340	4,02,04,063	
	Exports						2,600			800						5,500	42,500								17,40,888	18,95,000	36,35,887		
																							Total	Imports	1,10,34,255	1,57,70,065			

SILVER.

1854-55.	Imports	10,181	12,46,008	8,50,185	8,30,991	6,22,770	70,940	49,150	22,092	3,02,630	12,452	18,00,716	15,53,674
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SILVER.

1864-65	Imports	10,181	12,44,008	3,60,185	8,30,210	8,23,370	70,140	45,150	22,592	3,02,000	12,473	18,00,746	15,53,674	13,11,110	2,60,102	53,07,710	47,31,130			
	Exports		14,000	18,130	15,000	5,19,000	2,000	10,140			54,863	98,400	5,000			35,98,040	5,82,075			
1865-66	Imports	30,00,861	1,31,39,300	9,50,135	5,00,000	1,250	85,057	5,00,715	1,78,435	3,810	1,41,286	10,88,895	1,58,82,518	30,512	12,003	5,72,90,179	2,40,40,879			
	Exports		5,000	67,279	1,90,455	28,04,000	2,70,750	5,21,355			1,70,870	2,50,575		60,50,000	24,00,510	1,92,78,589				
1866-67	Imports	51,50,855	51,41,814	1,70,175	5,00,865	20,000	0.10		2,38,770	2,50,455	5,00,872		3,90,14,568	19,144	40,455	5,88,38,044	4,88,37,011			
	Exports		50,040	85,550	2,94,410		29,54,000		6,50,814	17,04,381	52,550			53,56,754	20,21,821	1,45,09,025				
1867-68	Imports	61,11,461	60,00,500	6,06,618	6,50,025	54,000	1,11,055		45,01,494	8,00,295	5,72,072		34,100		40,191	23,58,965	3,99,50,317			
	Exports		1,85,870	7,000	1,18,068		58,47,387		1,45,805	4,87,459			28,000		1,40,512	5,30,000	550			
1868-69	Imports	2,10,020	10,10,800	7,34,075	7,59,775	89,400		14,74,450	1,08,37,338	20,50,511	5,00,000		5,00,000		2,04,772	18,02,254	2,45,38,800			
	Exports		71,150	27,000	1,13,600		56,18,000		4,500							80,822	80,500			
1869-70	Imports	14,47,014	7,57,895	7,49,540	9,00,235	28,000	2,00,275		18,86,116	15,301	4,78,000		1,31,165		3,40,203	17,80,008	3,94,05,745			
	Exports		5,000	4,65,500		30,58,000		1,81,307	82,800	13,000		27,000		71,435	5,45,050	3,000				
1870-71	Imports	25,41,260	6,01,188	4,25,310	9,11,730		54,800	800	6,99,127	18,54,300	60,500		18,100	31,425	84,425	14,05,991	2,45,07,940			
	Exports		55,800	30,100	72,900		25,00,000		2,18,466	8,85,315			5,04,000		83,178	4,50,990	4,000			
1871-72	Imports	17,43,864	25,67,210	1,79,000	7,41,100		23,10,400		58,98,041	67,40,227	4,65,110		50,085		5,16,148	9,04,890				
	Exports		18,000	12,025	5,07,225		31,48,900		17,575	1,31,500					22,805	8,95,250				
1872-73	Imports	44,06,500	18,50,720	9,05,765	9,98,770		18,16,005		42,09,017	15,50,000	84,72,897		1,04,016	8,500	6,20,354	7,27,333				
	Exports		41,500	4,100	8,29,800		38,21,820		41,300	1,10,000					5,00,750	4,10,870	4,000			
Total																		Imports	58,12,434	5,94,778
																		Exports	5,93,06,648	2,16,91,277
1864-64	Imports	59,51,702	6,75,965	2,91,604	11,07,700		54,000		14,11,040	80,778	50,00,800		60,800	2,02,200	3,96,357	4,30,100				
	Exports		1,400	60,000	73,820	1,78,600		22,00,000	50,697	52,780		5,000		1,25,053	10,50,000	5,000				
1864-65	Imports	40,91,994	11,09,638	41,015	7,11,400		28,000		46,500	3,00,000	35,82,021			6,02,000	2,11,485	10,57,945				
	Exports		1,400	1,13,000	1,41,659		82,55,000		1,68,842	45,800					1,51,007	30,97,864	5,000			
Grand Total																		Imports	1,98,56,040	12,00,138
																		Exports	7,09,96,046	3,70,73,340

The entries for 1880-81 and 1881-82 have been added to this Statement in the Financial Record of the Government of India. The figures are derived from the Official Returns.

From WALTER R. CASSELS, Esq., to His Excellency the Governor of Bombay, &c., &c., &c.,—dated 1st January 1864.

The monetary condition of our Indian Empire is so unsound, and the necessity of a thorough reform of its currency so urgent, that I venture to address your Excellency on the subject, in the hope that, recognizing the inadequateness of the existing system for the wants of the community, your Excellency may be induced to exert your great influence to secure the introduction of a gold currency and standard into India.

Your Excellency is aware that, for some years, the commerce of India, and especially of Bombay, has rapidly increased. Favorable circumstances have occurred to develop the resources of the country, and wealth has been largely distributed amongst all classes, from the ryot to the merchant. In ten years the trade of Bombay, as the following statistics show, has increased nearly 250 per cent. :—

Years.	Imports.	Exports.	Total.
	Rs.	Rs.	Rs.
1853-54	8,43,83,626	9,50,71,893	17,94,55,519
1854-55	7,82,52,261	8,16,98,816	15,99,51,077
1855-56	11,57,73,041	10,29,19,161	21,86,92,202
1856-57	14,48,46,391	12,57,93,939	27,06,40,330
1857-58	16,31,60,026	14,67,73,599	30,99,33,625
1858-59	18,38,15,410	15,95,08,825	34,33,24,235
1859-60	19,87,49,906	15,51,54,526	35,39,04,432
1860-61	18,62,63,013	19,48,80,399	38,11,43,412
1861-62	21,85,65,797	21,29,99,605	43,15,65,402
1862-63	29,01,87,097	30,13,92,044	59,15,79,141

These amounts, however, being but Custom House valuations, do not adequately represent the extent of our commerce during the last three years; and taking into consideration the high prices realized for cotton in England, and paid for Piece Goods here, they might fairly be increased by fifteen or twenty per cent. The aggregate commerce of Calcutta last year amounted to Rs. 34,06,04,861, and that of Madras to Rs. 13,04,66,579, making a total for the three Presidencies of Rs. 106,26,50,579.

It is clear that the amount of money required to circulate commodities to so large an extent as this through so many hands, as well as to suffice for the wants of a population of 200 millions, must be very great. There can, therefore, scarcely be a subject of greater importance for the consideration of Government than the wise regulation of the currency, upon which the well-being of so vast an Empire so vitally depends, and it is one which at present demands their immediate attention.

The late Right Honorable James Wilson, in his speech on a paper currency, expressed in distinct terms his sense of the inefficiency of the existing Indian currency. "I believe," he said, "there is but one opinion throughout India, and, I will add, at home, that the currency of this dependency of the British Empire is in a most unsatisfactory state; there may be, and no doubt there are, many different opinions as to the mode in which its glaring defects can be best amended, but at least all are agreed that amendment is loudly called for. If," he continued, "your monetary condition be unsound, the country will be exposed, in an aggravated form, to all those vicissitudes which overtake trade, for a time paralyze industry, and impoverish the people; if, on the other hand, it be based on sound and solid principles, we may rest contented that we have at least taken every precaution within our power, if not for altogether preventing those vicissitudes, yet for alleviating their consequences and shortening their duration."

I quote these statements, not only as possessing all the weight of opinions expressed by so able a financier, but also as being particularly appropriate at a time when trade is really suffering from the very species of vicissitude which Mr. Wilson anticipated, and which is both intensified and prolonged by the imperfect currency which he described.

The only object of a currency being to circulate commodities in the most convenient manner, Mr. Wilson, of course, admitted that this was best attained by adopting either gold or silver as a standard by which their value might be defined, but he proposed his scheme of a convertible paper currency for the purpose of setting free a large portion of the reproductive capital of the country thus absorbed and rendered sterile. The Currency Bill was no doubt a very important and desirable measure, whose usefulness, probably, will increase as the country becomes ripe for

its acceptance. Hitherto, however, I believe that the objects for which it was framed have not to any considerable extent been attained, and for the present it has not been successful in reforming the defects of the Indian currency.

A paper currency, based upon sound principles, is certainly one of the wisest measures of financial administration; but for its general adoption throughout a country, it is requisite that intelligence and confidence should be largely diffused. The acceptance of a piece of paper, without intrinsic worth, and deriving its sole value from the mere promise to pay a certain sum, denotes the existence of a healthy public credit, and reliance upon administrative principles, which can only be found in an advanced state of civilization, and after a long period of commercial good faith.

I believe that few persons acquainted with the state of India will assert that the mass of its population are yet prepared to understand or avail themselves of such a currency. Centuries of misrule and oppression under Native rule have implanted suspicion and distrust in the Native character; and European civilization has as yet scarcely lifted a corner of the veil of ignorance that enshrouds and perpetuates these hereditary qualities. Without going into statistics at all, therefore, it might be predicated that a paper currency, unintelligible both in form and in principle to the great mass of the people, could not circulate much beyond a few of the greater towns into which European enterprise and enlightenment have penetrated. That this has really been the case is proved by the reports of the Currency Department. is evident from the following Statement of the Currency Departments in the three Presidencies:—

Presidencies.	RESERVE.			Value of Notes in Circulation.
	Bullion.	Coin.	Government Securities.	
	Rs.	Rs.	Rs.	
Calcutta* ...	.....	1,84,55,922	1,10,44,078	2,95,00,000
Madras* ...	.....	73,00,000	.....	73,00,000
Bombay† ...	1,17,00,000	1,19,00,000	.....	2,36,00,000
Total ...	1,17,00,000	3,76,55,922	1,10,44,078	6,04,00,000

* 31st October 1863.

† 4th January 1864.

Speaking in 1860, Mr. Wilson stated that the coinage in the three Indian Mints since 1835 amounted to upwards of one hundred crores of rupees, or 100 millions sterling, and that during the last four years of the period, the production had actually been at the rate of 1½ millions sterling in each year.

Professing, however, to allow for the great withdrawal of coin, both for the purpose of hoarding and conversion into jewellery, he estimated the total amount in actual circulation at one hundred crores of rupees, or 100 millions sterling. I cannot understand by what process he arrived at this high estimate, but I believe that if he had reduced it by one-half he would have been much nearer the mark. He, in fact, assumed that the coin issued prior to 1835 counterbalanced the whole of the

previous and subsequent absorption. It would not be difficult, I think, to show the incorrectness of his estimate; but accepting it for the present, and taking it, as Mr. Wilson apparently desired, as the basis of our calculation, we find that currency notes, after three years, have really only been taken to the extent of about 6 per cent. of the whole currency, and that they have actually only fulfilled their sole legitimate object of releasing the reproductive capital of the country to the extent of a million sterling, or 1 per cent.

As an illustration of my assertion that India is yet far from prepared for such a circulating medium, I may mention a case which occurred in Bombay within my own knowledge. A Parsee gentleman tendered a currency note for one hundred rupees to a native carpenter for work done, which he somewhat reluctantly accepted. This was about the time when the present monetary pressure first became intense, and the value of Government Securities had declined, and Banks were no longer able or willing to lend money against them. Two days after, the Native returned, wringing his hands, and saying that he had been unable to change the note in the bazaar, and that he understood that Government notes were no longer worth anything. In order to test the state of popular credulity, the gentleman offered Rs. 45 for the Rs. 100 note, which the native thankfully accepted, and he was going away in a more easy state of mind when he was recalled, and the full amount of rupees handed to him. I fear that, amongst the poorer classes in the interior, a currency note would be regarded with still greater distrust.

The statistics which I have cited, it appears to me, conclusively prove that the Currency Act of 1861 has not produced any very material result, and that the "amendment" which Mr. Wilson admitted to be "so loudly called for" has yet to be effected, and is now more urgently required than ever.

Whatever may be the monetary state of any country, moments of vicissitude must of course occur, and passing storms must disturb, in order to clear, the commercial atmosphere. Where the currency, however, is sufficient, and based upon sound principles, these periods of commercial distress, although they cannot be altogether prevented, are seldom of long duration, and can speedily be relieved. The trade of Bombay at present is passing through one of those periods of severe monetary pressure which a defective currency mainly contributes to prolong. The crisis, I think, may be accounted for from the fact that our unprecedentedly active and profitable trade, and the numerous hands through which commodities have to pass in this country, have absorbed a great part of our metallic currency. The stream of capital has, to an unusual extent, flowed into the interior for cotton and other produce; much has been distributed amongst the ryots, by whom it has been absorbed; and much has been embarked in speculative investments. This has proceeded with a rapidity commensurate with the activity of commerce, and, rather suddenly the country has found itself without sufficient coin for the efficient circulation of commodities. Under these circumstances, one of three things generally happens—either the deficiency is made up by artificial contrivances—and here our paper currency has not helped us; or money must be made to do double work, and pass from hand to hand with a rapidity sufficient to compensate for its reduced quantity; or the market must adjust itself to the smaller currency, by a general fall in prices. In our case peculiar circumstances have modified all of these effects. The price of all securities has more or less declined, and other commodities have likewise been partially affected, but holders, generally, are too strong and wealthy to succumb under a pressure which they feel to be only temporary, so that, instead of parting with their goods or produce for a smaller quantity of the circulating medium, they prefer retaining them. Prices, therefore, have not adjusted themselves to the reduced currency, but business has been almost altogether suspended. The demand for money continues great,

profitable employment for it still abounding, and the Bank's rate of interest has been raised to 24 per cent., while those who have required to draw their capital from England have been content to engage to pay 2s. 3d. there, six months hence, for each rupee advanced in India. This crisis might and no doubt would have occurred, whether our

is prolonged by our insufficient silver standard and currency,

standard had been gold or silver, but it appears to me that with a gold standard its severity would have been mitigated, and its

duration materially abridged. Our relief can only be effected by importations of silver, for I do not believe that we can reasonably hope for a sufficient present return of coin from the interior. Now silver is becoming scarce in Europe, its transport is comparatively difficult, and even when received in Bombay, the working powers of the Mint are greatly below the requirements of the country. At the present moment, with the demand for money so intense that interest is 24 per cent., and exchange on England 2s. 2d., about 80 lakhs of rupees in bullion, belonging to merchants, lie in the Mint uncoined and unassayed. With gold for our circulating medium, this state of affairs could scarcely long continue, and an ample supply, to meet so profitable a demand, would certainly have flowed into our market, but under existing circumstances I cannot see any immediate prospect of effectual relief.

Both the public and the Government are subjected to loss by our and both Government and the public are subjected by it to loss. bulky and inconvenient silver coinage. "Can any one form a just estimate," demanded Mr. Wilson, "of the whole cost to which the public are put in transmitting this bulky coin from place to place? Can any one even judge of the expense which the Government alone has incurred on this account?"

He also alludes, as to a familiar and patent fact, to the inconvenience of the present money to every one in private life. Indeed, this can scarcely be rendered more apparent than by the circumstance that scarcely any European or Native gentleman ever carries a single rupee about his person. Mr. Wilson, however, mentioned one circumstance which very forcibly illustrates the inadequacy and inconvenience of such a circulating medium. He stated, "In one Native dealers adopt expedients to remedy its defects. of the large trading towns in the North-West, I found a remarkable example of this inconvenience. I found that recourse had been had for a circulating medium, in order to save

"the labor and time of counting large sums in rupees, to the use of mysterious sealed bags, said to contain a thousand rupees each. These bags circulate freely, in wholesale transactions, upon the faith the merchants have in each other, with a 'chit' or letter of endorsement, without always any precise knowledge of what the real contents are. Sir, when recourse is had to expedients of this kind, we have ample proof that some reform in our existing system is loudly called for."

But this inconvenient coinage which native dealers struggle in a measure to correct for themselves, is actually maintained at great unnecessary expense. The estimated number of rupees in circulation according to Mr. Wilson is no less than one thousand millions, and the aggregate trade of the three presidential towns represents a sum of upwards of one thousand and sixty-two millions, to maintain which in circulation the three Mints annually coin upwards of one hundred and twenty millions of rupees. A large part of the expense thus incurred, in producing an unwieldy and costly coin of small intrinsic value, might be saved by adopting a gold standard.

India has for ages enjoyed the unenviable reputation of being the "sink" of the precious metals, but, since the adoption of a silver standard for her currency, the process of absorption has principally acted upon that metal, gold not being a legal tender, and consequently being less freely imported. From the 30th April 1834 to the same date in 1857, about £60,000,000 sterling, chiefly in silver, were imported into India, of which no less than 90 per cent. were actually coined into rupees, at a considerable expense to the Government, a large part of which, doubtless, was subsequently converted into bangles, at an equivalent loss to the country. The amount of silver bullion and coin imported into each of the three Presidencies during the last six years is as follows:—

Years.	Calcutta.	Madras.	Bombay.	Total.
	Rs.	Rs.	Rs.	Rs.
1857-58	7,14,90,940	1,39,86,923	5,96,49,976	14,51,27,839
1858-59	3,23,48,032	1,10,58,271	4,45,15,517	8,79,21,820
1859-60	6,76,24,417	1,22,78,944	4,67,86,769	12,66,90,130
1860-61	2,60,97,635	1,38,02,362	3,88,59,849	7,87,59,846
1861-62	2,70,45,899	1,28,44,799	6,64,71,563	10,63,62,261
1862-63	2,19,15,689	1,80,00,000*	9,95,92,005	14,45,92,000

* Estimate.

and since the period included in the above calculation, say from the 1 May to the 31st December, about Rs. 6,25,00,000 have been imported into Bombay alone. If the American war proceed—and certainly there is not at present any indication whatever of its close—we shall continue to draw from Europe even larger quantities of silver than at present, and from the wide distribution of profits throughout the interior, amongst that class especially which has always been the most insatiable absorber of the metal, very little of this will be permanently added to the circulating medium of the country, but it will in large part be engulfed in secret hoards, or melted down into bangles and other native jewellery.

Now the silver mines of the world produce, in the aggregate, exceeds the annual production of the world. annually, only about ten millions sterling, so that India is now taking, and to a large extent absorbing, more silver annually than the whole world produces. Without, therefore, taking into consideration the future exhaustion of mines, the result of such a drain of this metal from Europe is quite clear, and it is already beginning to be felt. Silver must become scarce, the home markets must become unable or unwilling to supply it, Banks must raise their rate of discount in order to check exportation, the value of silver must considerably advance, and the rate of exchange become permanently unfavorable to remitters from Europe. The rise in the value of this metal has already nearly swept away the whole of French silver currency to the East. French coin contains more silver than our subsidiary English currency, and it has been more advantageous to export it as bullion than to use it as money. The only silver coin now remaining in France, in fact, is that which by wear and tear has become depreciated. A further advance, by no means improbable if the present demand be considered, would affect English silver coin precisely in the same way, and we may yet have to melt down the silver currency of England to replenish that of India.

Scarcity and a steady and permanent advance in the price of silver, both of which contingencies appear inevitable, will decrease the amount of our circulation, the natural consequence of which would be that the reduced currency would have to circulate the same amount of commodities as before, and prices, therefore, would be reduced in the same ratio.

The great desideratum, however, of any monetary standard is that it should be as little variable as possible, and a general fall in the price of commodities is far more prejudicial to a community than a general advance. Every sudden fluctuation in value, in fact, affects the conditions of every monetary arrangement. If, for instance, prices rise fifty per cent., every man with a fixed income finds that it is only half as valuable as it was, and, on the other hand, if prices fall fifty per cent., every man bound to pay any fixed sum is obliged really to provide double the amount.

The depreciation which has taken place in the value of gold, in consequence of the discovery of the mines of Australia and California, has been made an argument against the adoption of a gold standard. This is of course based upon the principle that that standard of value is best which is least variable. I shall consider this point hereafter more fully, but I may here remark that the actual and probable enhancement of the price of silver is, on the very same ground, quite as strong an argument against a silver standard as any fluctuation of the standard, and consequently of prices, whether up or down, is equally objectionable.

The demand of India for silver, however, which causes this enhancement, and absorbs annually so large a quantity of what is now the dearer and scarcer metal, does not arise from any special predilection for that metal, but from the fact that we have a silver standard, and an extremely inconvenient and bulky silver currency. The demand thus, in a manner, artificially created, has increased and will increase with the development of India to a pitch that will drain Europe of silver, derange the currency of all countries possessing a silver standard, and probably affect, if not destroy, the subsidiary coinage of England herself. It is a demand arising from no special expediency, but, on the contrary, is extremely injurious and inconvenient to India, and it will likewise cause inconvenience to almost every other country. If the standard were changed, quite enough of silver would still be imported into this country, for manufacturing purposes, to prevent any material fall in its value; but we should not uselessly, and by a partially compulsory demand, absorb it in such large quantities, and extravagantly raise its value.

Consideration, therefore, for the general convenience of the world,

The abundance of gold an argument for its adoption as the standard in India. as well as of India, I submit, favors the proposal to change our standard from silver to gold. As the metal which contains most

value in small bulk, gold has special claims, and as it has been found that the cost of obtaining gold, and, consequently, the cost of gold, varies less than that of silver, it is on that ground likewise preferable as a standard. There are other reasons, however, for which I would venture to urge the adoption of a gold standard. Prior to the discovery of the mines of California and Australia, the annual production of gold amounted only to about five or six millions sterling. During the ten years since the opening of these new sources of supply, however, it is estimated that 150 millions sterling in excess of any former decade have been added to the stock of the world, and the annual production now amounts to about twenty-five millions sterling. A considerable portion of this increased production is neutralized by expanded commerce and industry, but Political Economists are pretty well agreed that the excess has depreciated the value of gold. The double argument, therefore, of scarcity of silver and abundance of gold, advance in the value of the one and depreciation in that of the other, is, I submit, altogether in favor of the adoption of a gold standard for India. The tendency of the East to absorb the precious metals would be a mitigated evil if diverted from dear silver to cheap gold, and, in fact, our demand would probably re-adjust and steady the disturbed balance of the precious metals. The present large production of gold would not be more than sufficient for the wants of the world, if Indian demand drew from it as it now does of silver, so large a portion as twelve millions sterling. Indeed, the great gold discoveries of late years could not have been more opportune, being made just at a time when the rapid development of India's commerce has outstripped its circulating medium. If the annual production of gold were now, as it was so short a time ago, only about five millions, the adoption of a gold standard and currency for India might have been unwise and objectionable, but now that the production has been so largely and suddenly increased, and is still increasing, the introduction of the gold standard could not but be generally advantageous, steadying the price of gold on the one hand, and of silver on the other.

Our silver currency, however, entails positive loss upon India. We

We are forced now to buy the dearer metal. are in a manner constrained to exchange our commodities for silver, the only metal which

is a legal tender in this country. Now, silver being dearer than gold, we are thus forced to buy the dearer and scarcer metal, and prevented from taking that which is relatively cheaper.

With a gold standard and currency, England might advantageously for herself, as well as for us, pay us for our products in gold from Australia, unburdened, as at present, with the charges of transmission to Europe, of exchange into silver, and of transport overland to India. In fact, we are, by the necessity of this circuitous mode of circulation, virtually prohibited from commercial intercourse with markets at our very door. We are prevented from importing gold direct from Australia materially cheaper than we can obtain silver. Calculating the actual charges upon gold from Australia to England, and expenses there, at five per cent., and the charges thence overland to Bombay, and till it can be converted into coin, at five per cent. more, it is at once evident that we could import gold much more advantageously direct from Australia. The charges from Australia to Bombay being estimated at three to five per cent., we should thus secure the metal five to seven per cent. below what we now pay for importations from England, and still more below the cost of silver purchased with gold, sent round by London, from Australia.

It is an obvious fact that if we obtain money cheaper, we should obtain all other imports cheaper also, and it is not absolutely necessary, in order to obtain gold bullion at a cheaper rate, that we should have a direct demand for our commodities from Australia. There is quite sufficient demand for them in England alone, which exports largely to Australia, to obtain all the gold we want in exchange, actually, though circuitously, from the mining country. The demand for gold which would arise from its adoption as a standard in India would be the greatest stimulant to the creation of a direct trade with Australia. The resources of India are only now beginning to expand, and so much wealth is now distributed throughout the country, that, even after the cessation of the present extraordinary demand for cotton, our trade will continue to increase, and flow through numerous channels. The manufacturing industry of India will certainly be largely developed. With the freight and heavy charges on cotton to Great Britain, and equally

The exclusive silver standard prohibits direct trade with Australia,

heavy charges upon goods outward again, as a margin at credit, India may well be able to produce the lower qualities of cloth, and the lower numbers of yarn, so as to undersell England. Is it too much to say that India may, in the course of some years, be able to export such goods to Australia, amongst other commodities, in exchange for her gold? Every enlightened statesman, overlooking the paltry and unmeaning objection of supposed injury to the manufacturing interests of Great Britain, would rejoice to see that day, and would certainly desire to open out in this, or any similar way, the resources of our Indian Empire. So long as we have a silver standard, however, we labor under so great a disadvantage in trading with neighbouring countries, that it is nearly

prohibitive. Mr. Laing expressed a decided opinion on this point in introducing the Currency Act of 1861. He said that "it seemed

and will repress the industry of India. "to him a pity to enact that, for all time to come, in transactions between countries such as Australia and India, an Australian merchant should not be able to pay for a cargo of Indian rice without resorting to the round-about and expensive process of sending his Australian gold to London, thence to France or Germany to buy silver, and finally send that silver overland or round the Cape to India."

Mr. Laing and the Select Committee on the Bill, of which your Excellency was a Member, therefore,

Mr. Laing and the Select Committee provided for the possible introduction of an auxiliary gold currency,

"thought that it would be a considerable advantage to provide for the possible application, in India, of the same principle as regards gold as is applied in England in regard to silver." They consequently granted power to issue "up to one-fourth part of that portion of the circulation of India which is represented by actual coin or bullion, against gold coin or bullion, at a rate to be fixed by the Government from time to time, and not altered without six months' notice." The Committee hoped that by thus fixing a *minimum* value, at which gold should be received at the Government Treasuries, its "superior convenience," and "its adaptation to native wants," might, in course of time, lead to the introduction of a considerable auxiliary gold currency. This important amendment has, for some inscrutable reason, or by mere oversight, been allowed ever since to remain a dead letter, and even this timid experiment

but their "important amendment" has been made a dead letter.

has not yet been tried. I trust that your Excellency will at least urge that this clause, which you yourself were instrumental in framing for the evident advantage of the country, may at once be brought into operation.

That India has long been prepared to avail itself of this privilege, is evident from the importations of gold which have been received for some years. The following is a Statement of the amount imported during the last six years into Calcutta, Madras, and Bombay :—

Years.	Calcutta.	Madras.	Bombay.	Total.
	Rs.	Rs.	Rs.	Rs.
1857-58	1,00,71,277	46,34,989	1,53,35,797	3,00,42,063
1858-59	2,96,29,566	32,37,936	1,97,32,307	5,25,99,809
1859-60	1,10,48,282	51,60,740	2,86,07,418	4,48,16,440
1860-61	1,26,36,424	74,23,585	2,50,32,294	4,50,92,243
1861-62	1,70,42,188	94,41,201	2,85,39,425	5,50,22,714
1862-63	2,26,95,370	1,00,00,000*	4,02,25,794	7,29,21,164

And from the 1st May to the 31st December, since the above returns, the importation of gold into Bombay alone amounts to nearly three and a half millions sterling.

We owe it to our silver standard and currency, I maintain, that India has so long continued the “sink” of the precious metals. Absorption is to a very great extent forced upon her, and it is by no voluntary short-sightedness as a commercial country that so much of India’s capital is made unproductive. It is a patent fact that we purchase

The silver standard forces India to be the sink of the precious metals.

* Estimates.

our silver so dearly, and receive it burdened with so many charges, that it is impossible to sell it otherwise than at a loss. We are, as it were, the last receivers of the commodity, after it has paid tribute to the rest of the world. We cannot re-export it without actual loss, and there is, therefore, a positive inducement to absorb. If, however, gold were our standard, in lieu of being the last, we might become the first recipients, and might profitably distribute, instead of absorbing it. We should be placed on the highway by which gold will travel to Europe, and no longer be the unfortunate "sink" in which the precious metals, after making the circuit of the globe, are dragged down by their weight of charges.

Gold alone can enable a paper currency to fulfil its legitimate purpose in this country. It is only by Gold is the only efficient basis for a paper currency for India. liberating the precious metals from the duties of circulation, and enabling a country to make them reproductive by exportation as commodities, that a paper currency can legitimately benefit any nation. Supposing, then, that our paper currency were so far successful as to set any amount of silver free for this purpose, India could not avail herself of the opening, because silver costs too dear for re-exportation. On the other hand, gold received from Australia, and thus rendered available, could be profitably exported, either on a calculation of its actual cost, or its relative out-turn in comparison with other commodities. So long, therefore, as silver is maintained as the standard in India, our paper currency will continue to be delusive and unprofitable, and a wise system of financial administration deprived of all healthy vitality.

A gold currency would probably in another way check, or at least retard, absorption. Most of the 200 millions of the population of India aid, more or less, in withdrawing coin from circulation, but a vast number of these can only do this by small instalments. Rupee follows rupee but slowly into the secret hoard, although the sum total of petty abstractions from the circulation is an important amount. The intermediate sums, however, between gold coins could only be amassed in subsidiary silver token coins, of limited tender, rated somewhat above their intrinsic value, and the gold would continue meanwhile in circulation. Such a gold currency would now be peculiarly suitable for India. The distrust and ignorance which reduce a currency note, with

its promise to pay, to the level of waste paper, would appreciate a gold coinage, with its absolute intrinsic value in a condensed form, and the desire to possess so convenient a coin would probably attract forth again much of the hoarded silver which is now as effectually withdrawn from circulation as though buried in an undiscovered mine.

Mr. Wilson, bent wholly upon the introduction of a paper currency, was unwilling to weight it with any plan of a gold standard and coinage for India, but he frankly said, "if we had to begin *de novo*, no one will doubt that, 'as in England, to adopt a gold standard, supplemented by 'silver tokens of limited tender, as subordinate coins,' would be a much preferable plan to that which we now find in use." His main objection to its present adoption, however, was, that a silver standard having been established in India, and under it large liabilities contracted, we could not in good faith now change the standard, and pay public creditors in any other, and perhaps relatively cheaper metal.

We have not yet, it appears to me, seen much more than the mere infancy of our Indian Empire, and certainly its resources are still in their first stage of development. We have surely not yet advanced so far, then, that a false step cannot be retraced, and a system sufficient for the early requirements of our commerce replaced by one more suited to its maturity, and to the altered circumstances of the world. It seems to me absurd to argue that the country having once adopted a standard is pledged to maintain it for ever, regardless of subsequent consequences. All changes of financial administration involve more or less of difficulty, but if the question, how a gold standard is to be equitably introduced into India, be in some particulars complicated, it is quite capable of solution, and no more appropriate time than the present could be found for the attempt.

The funded debt of the country was contracted in silver, and Mr. Wilson argues that it must be liquidated in silver. If, however, it be right to protect the public creditor from any loss which might arise from the payment in gold of a debt contracted in silver, it is equally right that measures should be used to protect the country from the loss which must arise from the excessive enhancement in the value of that

metal. When Government created these debts, Indian trade was not in its present active state, and the demand for silver had not increased to the enormous extent which it has now reached. If this overgrown demand continue, silver cannot fail still further to rise in value, and from the defects of a system no longer adapted to the wants of the country we may, therefore, eventually have to pay off these liabilities at a still greater disadvantage than at present. It is very desirable, therefore, upon this score alone, that protective measures should be adopted. If Government invited tenders for loans to be repaid in gold in order to liquidate the debt contracted to be repaid in silver, there can be little doubt that the transfer could be effected upon favorable terms. Even if debts contracted under a silver standard could not be transferred to a gold standard without some slight loss, I submit that it could not be greater than that which the country must generally suffer from the maintenance of the present silver standard, and the consequent advance • in the value of that metal. It would be better far, it appears to me, to incur such a loss at once, than to continue to cramp the commerce of the country by an altogether inadequate currency.

I venture, however, to affirm that Mr. Wilson's objection is much

Mr. Wilson's objection theoretical, and a change of standard no breach of faith. more technical than real, and that the change of standard does not involve any breach of faith whatever towards the public creditor.

Let us admit that the public debt now existing was contracted under a silver standard, to be liquidated, according to the strict letter of the contract, in the same standard. No one will assert, however, that the contraction of these debts involved any pledge for the indefinite perpetuation of the monetary system then existing, or deprived us of the right to make future changes in the financial administration of the country. The general weal of this great Empire, and no mercenary desire to take unfair advantage of the public creditor, now renders a reform of the currency necessary, and if, in order to fulfil the letter of the contract, Government must first pay off its debts in silver, they are certainly then at liberty to change the standard to gold. Now, what is the utmost which those who receive back their silver loan in silver can do? They must exchange it for commodities, or for gold coin, and they will receive simply the present equivalent of their silver. It appears to me, therefore, that the payment by Government of these debts in the amount of gold which their amount in silver could

purchase, would fulfil the full spirit of the contract, and leave no real

A similar change was effected in England and America.

ground for complaint. If precedent be required, it is not wanting. The very same change of standard was made in England, with a public debt greatly exceeding our own, without causing dissatisfaction, or drawing forth any remonstrance from public creditors; and still more recently, America depreciated her coinage, and virtually adopted a single gold standard, under similar circumstances, with the general approval of the country. The transfer of the open rupee loans to an equivalent amount in gold would not, therefore, I submit, entail any hardship, and I believe, as I have before stated, that either the holders of these debentures would be quite willing to accede to the transfer, or that abundance of money could be obtained, upon favorable terms, under a gold standard, to pay off the liabilities for which silver would be required.

It could only be by a great subsequent depreciation of gold that any

Loss could only arise from great subsequent depreciation of gold, which is not probable.

loss to these creditors could ensue. The transfer of the debt from silver to gold, however, would be made after the effect of the great increase in the production of the metal has been fully experienced, and after gold has in a manner found its level, and the probability is, that the adoption of a gold standard for India would so completely counteract the increased supply, that no further depreciation could take place.

I feel great diffidence in entering into the details of the scheme of a

Suggestions regarding the Indian Mint value of gold.

gold coinage for India; but your Excellency will perhaps pardon me if I venture to make a few suggestions upon this important point. Placed as India in a manner is between gold-producing countries and Europe, the first consideration must be to fix the Indian Mint value of gold, so as to preserve a fair mutual equilibrium of value between ourselves, Australia, and England. This value, therefore, should not be so high as to render it profitable for Australia to send gold to be coined at our Mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe.

It is likewise highly important that, as much as possible, a gold

Regulation of coinage.

coinage should for the present be built upon the existing silver currency, so as to introduce the change with as much regard to private interests as

may be. I therefore venture to suggest the issue of gold coins similar to the sovereign and half-sovereign, and respectively representing 10 and 5 rupees, with subsidiary silver token coins, of limited tender, rated seven to ten per cent. above their real value. The existing silver coin might, for the present, be allowed to continue legal tender to the extent even of 500 rupees, and this limit might hereafter be reduced according to circumstances. The new gold coins should be of an intrinsic value which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of tender, be protected, if necessary, from the effect of any unforeseen fluctuation in value. Possessing, as they do, a well known intrinsic worth, the old rupees would no doubt for the present be freely received to a much larger extent, but not being replenished by fresh issues, being retired as rapidly as they came into the Government Treasuries, and replaced by new token pieces, I have no doubt that in a few years they would disappear from circulation, and that the change of standard and currency would thus be effected, without any sacrifice disproportionate to the benefit secured.

I scarcely think it necessary to state any arguments against the alternative of a double gold and silver standard to obviate the difficulty of at once adopting a single gold standard, as the objections to that system have too often been advanced, and are too apparent to need repetition. In fact, under a double standard, there never would really be a double circulation of gold and silver coins, but simply an adoption of that metal which for the time best suited the interest of debtors. The standard would therefore fluctuate between the two, to the great inconvenience of the public, and to their continual loss.

I cannot do better, in conclusion, than quote the opinion in favor of the introduction of gold expressed by Mr. Laing when bringing forward the Bill for a paper currency devised by Mr. Wilson, and perfected by himself and the Select Committee. "I must say," he declared, "that at the time when we are professing to make a reform in the currency of India, it does seem to me to be what I can hardly call otherwise than barbarous to introduce a system based upon the entire exclusion of that all-pervading metal whose superior convenience is fast making it the sole or principal medium of all the most civilized

Mr. Laing pronounced the exclusion of gold from our currency to be "barbarous."

“ nations of the world. ” “ Gold,” he recognised, “ would be a universal medium of exchange from one end of India to another, whereas a small note circulation involved the necessity of different issues in different circles, and the risk and trouble of keeping an adequate reserve of specie at numerous points. ” Holding these views, he refrained from bringing forward any positive measure for making gold a legal tender, in great part because it would have given rise to a long correspondence with England, and would have retarded the Currency Act. This objection is no longer valid, and I trust that what he did not scruple to call a “ barbarous ” system may not be perpetuated from any further considerations of official expediency.

No doubt, as Mill has suggested, in the advance of political improvement, all countries will one day have the same currency. At least it is exceedingly desirable that the currency of the Indian Empire should be assimilated to that of England and her colonies, and that countries so closely connected in Government and mutual interest, should no longer be separated so widely by a totally different monetary standard. The adoption of the same standard would be a great advance towards a universal currency, would abolish much inconvenience and complication of accounts, promote commercial intercourse, and knit the Empire more closely together by the bond of a common financial system.

I trust, therefore, that your Excellency may be pleased to promote the attainment of a consummation so devoutly to be desired, by bringing this subject, supported by your very weighty approval, before the Government of India and the Secretary of State for India, and that India may hereafter owe to your Excellency’s administration the important advantage of an adequate gold currency based on the standard of England.

From E. H. LUSHINGTON, Esq., Secy. to Govt. of India, Finl. Dept., to Offg. Chief Secy. to Govt. of Bombay,—No. 1516, dated 18th March 1864.

I am directed to acknowledge the receipt of your letter No. 252, dated 7th March 1864, and to state that the subject of a gold currency for India is under the consideration of Government.

*From A. D. ROBERTSON, Esq., Offg. Chief Secy. to Govt. of Bombay,
to Secy. to Govt. of India, Finl. Dept.,—No. 308, dated 19th March
1864.*

With reference to para. 3 of my letter of the 7th instant, No. 252,*

* Forwarding the Memorial of the Bombay Chamber of Commerce, with copies of the Minutes recorded by the Members of this Government, on the introduction of a gold currency into India.

I am directed to transmit herewith a copy of His Excellency Sir William Mansfield's Minute, dated the 8th idem, on the subject.

MINUTE

BY

HIS EXCELLENCY LIEUT. GENL. SIR W. MANSFIELD, K. C. B.,

DATED 8TH MARCH 1864.

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M I N U T E.

CHAPTER I.

CHAP.
I.

The Memorial of the Chamber of Commerce should be supported.—Mr. Wilson's opposition to a Gold Currency in India.—Necessity of answering his objections.

The Memorial of the Bombay Chamber of Commerce, praying for the introduction of a gold currency into India, is, I trust, the beginning of a reform which is much required by the circumstances of the country.

When we consider all that may be said in favor of the reform, and how little can be asserted against it, a reasonable expectation may be entertained, that the prayer of the Memorial will not pass unheeded by the Supreme Government and the Right Honorable the Secretary of State for India.

It would be difficult to put the facts which tell on the side of the proposed change, more cogently and clearly than has been done in the Memorial under consideration. There is, nevertheless, the weight of a great authority in opposition, which must be removed by argument, before we can hope that success will attend the movement of the reformers.

That authority is the opinion of the lamented Mr. Wilson, who died at Calcutta as Financial Member of Council in 1860. This gentleman, distinguished alike as a financial statesman and a great economical writer, rested his objections to such a reform as is now asked for, on three grounds :—

Firstly—That the change to a gold currency would involve breach of faith with the creditors, who had contracted their obligations in the form of silver.

Secondly—That it was opposed to much of European precedent and example.

And thirdly—That seeing that silver was now the legal tender, he could perceive no particular good in change, although he admitted that it would have been an advantage to the country, if gold had been the original legal tender instead of silver.

A careful perusal of Mr. Wilson's Minute of 25th December 1859 "On the proposal to introduce a Gold Currency into India," has convinced me that the grounds of his opinion are in point of fact fallacies, which are incompatible with the development of the people, and with a

feeling of equity towards all classes, the poor as well as the rich, the indebted (in which I include the State) as well as the capitalist and the owner of land.

That Minute has convinced me that while Mr. Wilson allowed his imagination to be excited by the possible depreciation in the value of gold, as the effect of new gold mines might be still more felt, he overlooked the corresponding circumstance, that if, as he expected, gold throughout the world should fall still more in value than it had done when he wrote, silver if stationary in the amount produced, would proportionally rise. He thus neglected to consider, that as a means of appreciating value, silver was in truth as uncertain as gold, this being true both with regard to new contracts hereafter to be made, and to those of ancient date.

The perusal of his speeches and Minutes on Indian Currency has further persuaded me that Mr. Wilson's views were formed without sufficient attention to the social condition and the habits of the great masses of the people of India.

He was thus led into error, both with regard to what it is possible to effect in the execution of currency changes, and to the wisdom of reforms, to the general entertainment of which the popular mind has not yet been sufficiently educated.

It has appeared to me, therefore, to be a duty for some one to examine Mr. Wilson's Minute and his views on the subject of a Gold Currency for India, according to the principles of Political Economy, of which he has so often been the able and uncompromising exponent.

The necessity of the investigation which in the public interest thus seems to me most urgently required, has apparently not occurred to any one else in this country. I proceed, therefore, with much diffidence, to take the duty on myself.

In deference to the great authority to which I find myself opposed, and to the importance of the inquiry, I have been obliged to take nothing for granted, but to follow Mr. Wilson's own example, when in a series of admirable articles he criticised the Bank Act of 1844. In short, at the risk of a charge of tediousness, I have felt it incumbent on me to consider the principles on which rests the idea of a Currency.

These being kept steadily in view, it has been sought to apply them in answer to Mr. Wilson's Minute, and in support of the demand which has now come from the Bombay Chamber of Commerce.

CHAPTER II.

The economy of Gold as a medium of Currency as compared with Silver.—The practical consequence. CHAP. II.

A Currency is the machinery of domestic exchange. So much of the medium as is absorbed in the metallic currency of a country is the material of the machinery.

The precious metals absorbed in a currency are so much of the capital of a country which is devoted by the community to save it from living in a state of barter. The profits of the capital so employed return in the form of convenience, and the saving of labour and time.

The material or metal may be economised by the use of paper in various forms, but it being admitted that paper must always be convertible, it is sufficient to say that the metallic currency is the basis or material of the machinery by which the operations of modern commerce are rendered possible.

It would seem, then, that when a community determines what shall be its metallic medium of currency, it should carefully consider the conditions of economy which it may present, as compared with other media.

Thus, if a given medium, as being of more value, be more portable than another, it is preferable on such an account. Copper is better as a currency medium than iron, silver than copper, gold than silver; on this ground alone, according to the advance made in a community towards wealth, and in the consequent increase in the number of transactions, to which it daily commits itself. So long as a community is very poor, the rude currency of iron or copper may suffice for its wants. A silver coinage is the indication that the community has passed out of the ranks of poverty.

When it is discovered that even to carry about the increasing masses of silver has become an intolerable labor, for which daily commerce in self-defence must find a substitute, we may be sure that a community has made an immense stride towards the possession not only of moderate but of great wealth.

It is observed in such circumstances, that a more valuable medium of daily exchange should be substituted for the silver, and gold, unless prevented by legal restrictions, is sure to advance, to substitute itself for the silver, and to perform the duties hitherto discharged by the displaced silver.

CHAP.
II.

But there are other reasons besides those of mere portability, all of which tend directly to a like result. Thus, whenever a large quantity of the precious metals is broken up into coins, and is constantly going through a course of circulation, a certain wear and tear or waste of the metal so employed takes place in other words, an immediate loss of the National Capital.

If a coin of one metal (gold) is equal to ten coins of another metal (silver), assuming that a like degree of purity, hardness, and durability is mechanically given to both, it would seem at first sight that the degree of wastage in both would be exactly proportionate, and therefore that the results of loss to the national capital on this account would be equal. But this is not so, for the following reason: the coin of greater value is not so often turned over in the affairs of petty commerce as that which is of less value, and consequently the former escapes much of the wear and tear which attends the latter.

Again, the coining operations of the Mint, involving assay and manufacture, are reduced in amount, and therefore cheapen coin in an inverse ratio to the value of the coined medium.

Thus, if a sovereign be equal to ten rupees in intrinsic value, it is many times cheaper to coin gold for general use, than it is to coin silver. The mechanical economy would be considerable, if it afforded merely a sufficient quantity of coins for the daily purposes of domestic exchange.

But the reserves of the precious metal established as legal tender must be in great measure coined to meet drafts in accordance with legal demands. Consequently, a larger coinage must inevitably take place than would actually suffice for daily use. This is still more enhanced by the fact of the exportation of coins in the form of a commodity of trade, merely on account of their value as such, and without respect to their being a monetary element in the country they are leaving.

Such considerations are particularly important in India, where so much of the coined medium is retained in private hands, owing to a marked peculiarity of eastern habits. In consequence of this, a vast number of millions of rupees is kept in reserve by the people, on which the minting labor has been expended.

We have therefore in a gold coinage, as compared with a silver coinage, three elements of cheapness, which cannot fail to have a marked

effect in asserting the superiority of gold as a circulating medium and one of metallic reserve :—

CHAP.
II.

1st—Its superior portability.

2nd—Decrease of wastage.

3rd—Economy in mintage.

Now, if we accept the definition of a metallic currency, that it is a certain portion of the capital of a community which is abstracted from the whole without immediate return of any kind, for the purpose of enabling the community to pursue its business; in other words, to employ the remainder of its capital in the daily commerce of life, we cannot escape the conclusion that that medium should be chosen to perform the particular functions of currency, in which mechanically it can be done most cheaply. In this we merely follow the same rules of reasoning and practice that we apply when we substitute animal draught for porters, and the steam engine for horses.

It is particularly necessary to bear this in mind, to recollect that a currency is only the means of transacting business, that it is a machinery in the economy of which all men are interested, and therefore that the medium has to be considered on account of such merits, just as we consider the relative merits of steam and horses. This view may be called the mechanical one. It is very liable to lose the attention which it deserves, because of the difficult problems which come across the investigator, and of the manner in which the value of the precious metals as commodities occupies the mind, to the preclusion of the mechanical facts of their employment, and of the cost of those facts. Hence a great confusion arises. Even acute thinkers are thus apt to forget the important circumstances which have been stated, to overlook the mechanical economy of using one metal (gold), as compared with another metal (silver). Nevertheless, other conditions of relative value being preserved, this very mechanical economy would be quite sufficient to drive the lower metal generally out of circulation, were circulation allowed to adjust itself without the intervention of State laws or other restrictions. When arguing against the introduction of a gold currency for India, the late Mr. Wilson omitted to give these important considerations the weight they deserve. On the contrary, while he allowed that a gold currency would be more convenient than a silver one, he did not also add, as he should have done, that as a machine of daily commerce, a gold medium is much cheaper in the working than a silver one can possibly be. This fact should not have escaped a practical economist of

CHAP. II. his distinction. It is perhaps to be regretted that an authority of his calibre was lent to an incomplete statement on this very important part of the subject.

Having thus established the mechanical superiority of gold over silver as a medium of currency, that is to say, that it is superior as a means of machinery in point of economy to silver, it would seem to follow that the State, in which term is conveyed the inherent governing power of a community, is bound to cause the more valuable metal to be substituted in the currency for the cheaper one, as soon as the community has become rich enough to render such a change desirable for the greater convenience of daily commerce.

It will hardly be denied that the State should guard itself according to the manner in which a trading firm or corporation would proceed in defence of the interests of its constituents. Such a firm or corporation having a given function to perform, which requires the absorption of a certain portion of capital, feels bound to economise the means of action according to the improvements which may take place, and to the progress made by invention and experience. In this sense, to revert to our old illustration, it substitutes animal draught for porters, and steam engines for horses. It is not held that porters who have to seek another employment have any grievance, and we none of us can forget how fruitless were the jeremiads of the old anti-railway party on the destiny of stage-coachmen.

In the same manner, if the State finds an old official machinery which does not suit the times, such machinery, after more or less discussion, is invariably made to give way to adaptations, possessing greater convenience, as being more suitable to present exigencies than what is cumbrous, or has become obsolete in form.

The same rule and practice are precisely attributable to a currency, when considered in its character of machinery. The holders of an old and cumbrous medium can no more plead exemption from the effects of progress and development, than porters who find themselves supplanted by horses, or the stage-coachmen who have given way before the steam engine.

The actual holders of the medium are also a portion of the community which benefits at large, by an economical reform of the currency, or the machinery by which transactions are carried on. The holders are generally interested in the measure of reform, just as the stage-coachman

is interested in the general improvement of the country by the introduction of the railways, and in the possibility thereby afforded to him of securing his existence somehow or other, though perhaps not on the coach-box. CHAP. II.

In like manner, by having an economical currency given them, the holders of the old medium, though at first sight they might seem to lose by its demonetisation, whether with or without the aid of law, actually gain in the end by the greater use they are able to make of it as a commodity of trade.

This ultimate gain to all classes we have seen both in France and in the United States.

The Government, then, being considered as the trustee of the community, is bound to afford to that community the cheapest currency or machinery for conducting all the transactions of domestic exchange and deposit which can be devised by human skill and ingenuity. The obligation is one from which the State cannot escape.

This cheapness being the interest of the whole, must be preferred to individual interest if the two be found to run counter to one another.

There is no reason to believe that any such antagonism exists, it being found that any reform or measure which reacts with favorable results on the whole body of a nation, is beneficially, however indirectly, experienced by all the individuals composing it. It is essential to bear these somewhat trite maxims in mind, on account of the fallacies by aid of which it is sought to be maintained, that to reform the metallic currency of India, by substituting a gold for a silver one, involves breach of faith with those who have contracted obligations in the form afforded by the latter medium, or who happen to be holders of it.

The attempt is made to put out of sight the character and mechanical functions of a currency, the cost of the performance of these functions, the means of economising the cost under the admitted necessity of maintaining a due metallic reserve. The other character of that reserve is then alone considered, viz., its character as a commodity. That character is, of course, disputed by no one, but it is but to state one side of the argument when it alone is brought forward, and the other character (viz., of machinery) maintained at the cost of the community, is hidden from view.

CHAP. III. In confirmation of what has been advanced, it may, I think, be held to have been shown by the practice of wealthy nations, that gold is a more convenient means of currency machinery than silver, when transactions are sufficiently numerous, and when the metallic means are sufficiently large to render economy of portorage, wastage, and coinage, an element of calculation both to the State and to the individuals of whom the currency wants are concerned; England, France, and the United States are sufficient examples.

This being so, we must be convinced that as a matter of administration, on the score of economy, we should substitute a gold currency for a silver one for the accommodation of large transactions, or what may be in excess of the wants of very petty dealing, in countries which have reached the level of wealth and commercial activity attributable to such nations. As regards the application of a gold currency to India, we have then to ask, is she entitled to be counted among such nations? Are her transactions of a character, are her needs on account of means of reserve and circulation, are the expenses of her Mints and of waste of capital sufficient to warrant a change similar to that which has been found in the United States, France, and Great Britain?

CHAPTER III.

The Standard of Value.—Does a change of the Standard involve what is called a Breach of Faith; either with the Public creditor, or the Private one?

Before proceeding to consider the question of a change in what is called the "Standard of Value," it may be well to come to an understanding on the exact meaning of the phrase. Confusion is apt to arise from the misappreciation of terms, and the public sometimes deceives itself, and is frightened accordingly by the misuse of words and phrases.

Such a confusion, perhaps, exists at present with regard to the phrase to which attention is invited. In some minds the so-called "Standard of Value" is mistaken either for value itself, or for the regulator of value. It is, in fact, a particular metal or commodity, in which the law of a given country declares that a currency shall be maintained.

That particular metal comes thus to be the expression, or means, of the measure of value. This is a very different thing from being the measure itself, or from the commodity chosen as the standard of value

“having any intrinsic virtue by which it can regulate value, or obtain value in any manner not common to other commodities.”

CHAP.
III.

We are taught that there is no real value but the cost of labor which is thrown into production,* transport, and delivery. However that labor may be paid for, whether by the commodities it produces, by other commodities, or by their representative in the form of money, on the cost of it depends the value of the commodity produced. It makes no difference whether the commodity be gold or silver, corn or oil, stone or timber. In the cost of labor must be included wages in every form, the expenditure of material which has been produced by previous labor, the preparation of the soil, which is also the result of labor, at whatever former period it may have taken place, although now it may be paid for under the denomination of rent.

Thus is it that by the cost of labor value is determined. It is measured by the exchange of one commodity against another, as we say that an ounce of gold is worth a ton of iron, the cost of producing the ounce of gold being the equivalent of the cost of producing the ton of iron, or the labor on account of the ounce of gold being the equivalent to the labor on account of the ton of iron.

It is evident that what is called the standard of value cannot affect the operations with respect to value, viz., its creation by the application of human labor to matter, its determination according to the limits of the cost of the labor so applied, its measurement by the exchange of one commodity against another, except in so far as the commodity furnishing the standard appears as an article of trade, and not merely as the means of measurement.

We must therefore carefully distinguish between value with the foregoing conditions, and the legal notion conveyed in the term “Standard of Value,” as applied to a currency, which declares what particular metal shall afford expression of the measure of value, for the convenience of the community. Otherwise we may be led into the mistake of forgetting that the metal which has been selected for a legal tender, has on that account a two-fold character, as has been already illustrated, viz., that it is the basis of a currency, or the material of an artificial machinery by which the rude operation of barter has been superseded, besides being also an exchangeable commodity of trade.

* The cost of *production*, as here used, includes the rent of land. Waste land, on which labor has not been expended, returns no rent.

CHAP. In the former character, a metal when made into coins measures
 III. market value; in other words, affords the formula of price, whereas its own value as a commodity is determined by the cost of its production as compared with other commodities.

If this distinction between the two characters of the metal, chosen by the community for the expression of value, be not resolutely kept before us, the one, viz., that of machinery, being artificial and created for our own convenience, and the other, viz., its own value as a commodity, being natural, we may expect finally to fall into the error of attributing an occult virtue to a condition of currency, which is liable to change with the circumstances which may render it inconvenient.

This seems to be a not inaccurate description of what often takes place in the consideration of currency questions. It is not improbable that the phrase "Standard of Value" has more than once been the cause of the confusion and the errors of reasoning which have arisen, from them.

Objection is thus taken to a change from the legal standard of India (silver) to a gold one, because large liabilities have been contracted by the State under the former; and it is maintained that as a matter of good faith, as it is called, the public creditor might reasonably demur to being paid under any other.

If such reasoning were to be admitted, it can but be on the ground that silver is viewed as a commodity of trade only, and that its artificial character of being the material of the currency machinery, chosen either expressly or fortuitously according to a shifting expediency, is forgotten.

We must not, however, permit ourselves to forget the artificial condition. Having, in the progress of civilization, committed ourselves to a system of "Money" in supersession of one of Barter; that is, having organized currency in various forms, having constructed a machinery by which the system of "money" may be carried into execution, we cannot permit ourselves to revert to a system of barter, in the one item of silver, which is not tolerated in any other commodity. Otherwise we should destroy the very ground on which a currency rests, viz., that the so-called standard of value is but the legal means of expressing how value is to be measured, and does not itself affect value.

In effecting a loan, the State borrows value as represented by a certain number of coins.

It does not borrow a special commodity of trade, or contract to return that same commodity, except in so far as it is the representative of value. CHAP. III.

Thus the money it seeks represents a given value. It actually contracts for that value, and receives the money which represents it in the legal tender of the day. But it is because money is the representative of value, and that the legal tender is merely the form in which the money is clothed, that the State so receives the money in gold or silver, as the case may be.

The State does not, and cannot, bind itself never to change the character of its legal tender, or expression of measure, which it looks on as liable to change like other institutions. Its engagement deals with the value of the loan, and not with the special expression of the measure of value, which in equity cannot be a matter of consequence either to the lender or the borrower, if the idea of currency be fairly maintained, and it be not confused with the notion of the natural character of the commodity, which has been chosen to afford a material of currency or national machinery of exchange. If value be left untouched by the change, if there be no sacrifice of convenience in the mode of repayment, either of principal or interest; if, on the contrary, the convenience of the community be increased by a change in the currency machinery, as caused by a superior portability and economy, it is indeed idle to maintain that there is even a semblance of breach of faith with the public creditor. For if we pay the public creditor the full intrinsic value of interest and principal of his loan, whether in gold or silver, he has surely small ground of complaint. On the contrary, if there is a greater convenience to himself in the fact of receiving, carrying, and guarding a portion of gold as compared with its equivalent in silver, he is clearly a gainer, if the former be substituted for the latter, so far as a currency is concerned.

If we paid the public creditor 99 rupees' worth of gold on account of his loan of 100 silver rupees, we should defraud him, and he would be right to exclaim. But if we pay gold which is actually equal in value to the hundred rupees, there is no ground on which an objection can be raised with regard to an obligation created after a system of barter has given way before a system of money.

The same reasoning applies even more strongly to all obligations of domestic commerce, in which a currency comes into action, and the

CHAP. particular legalised money represents value for the convenience of the
IV. community. Although some thinkers may have a difficulty in overcoming the exact terms of a State Loan, they cannot find any perplexity when they survey the transactions of commerce, it being understood and admitted by all, that the given coin or legal tender is simply a device by which the prices of commodities may be adjusted, with respect to their relative market values.

The market values are constantly changing, and they require, according to circumstances, more or less of the coin of legal tender in the form of price ; but they cannot be affected one way or other by the character of the legal tender, excepting the consideration that an economical improvement in the currency cannot but effect a certain reduction of charge to the community, as we see similar effects from improved machinery in other matters.

The very fact of the existence of a money system demonstrates that a merchant does not contract to receive his dues in one particular form, but in any form which may be most convenient to the community of which he forms a part, provided only that he does really obtain those dues ; in other words, that the value to which he is entitled is not depreciated with respect to the actual present state of things.

The argument may therefore be summed up as follows :—

The State not being bound for ever to adhere to a given tender, it follows that loans made whether on account of the public or of individuals, and that all transactions of domestic commerce, must follow the rule of any change in the mode of measuring monetary obligations which may be demanded on account of the general convenience, provided that that change does not prejudice real value, that is, that the value of a new legal tender is at the present absolutely equal to that of the old one, or, in other words, that the currency is not depreciated.

CHAPTER IV.

Further exposure of the fallacy contained in the Breach of Faith argument urged against the substitution of a Gold for a Silver Currency in India.

In considering the question of currency, it is hardly possible to exaggerate the importance of the conclusion which has been arrived at in the former Chapter, viz., that the State or individual making a loan,

- in all cases makes a contract for value, and not one affecting the particular commodity in which the legal tender happens fortuitously to exist. CHAP. IV.

The view stated in an opposite sense does in fact abolish the idea of a currency, and reduces us again to a state of barter. It ignores the representative character of money, and depends altogether on the character of the metal composing it, as a commodity of trade.

Thus, to take Mr. Wilson's illustration :*—" If two men enter into a contract, one to deliver and one to receive a given quantity of wheat at a distant day, however much wheat may have fallen in price in the mean time, the receiver has no right to complain, any more than the deliverer would have, had it in the mean time risen as much in price. But if the person whose duty it was to deliver wheat, finding that it had risen much in price since the contract was made, sought to deliver barley or some other grain, which in the mean time had become relatively cheaper, the injustice of such an attempt would be plain. But it would be equally unjust, after a contract had been made in a silver standard, to change the standard to gold, because it was becoming more plentiful, and in relation to silver likely to become cheaper."

Now, in the foregoing illustration the theory of a currency is entirely put out of sight, and with that omission is coupled another, that the State in fact borrows value and not a particular commodity.

The illustration of the wheat is really beside the question altogether, because it refers only to a system of barter, from which we have been removed by a system of money.

It is evident that when the contract to pay for the wheat was to be completed by offering an inferior description of grain, this could only take place by substituting the real equivalent in value, or a larger measure of the latter for the former.

In the same manner, if gold were now to be substituted for silver, it would be necessary to find the exact equivalent of the two metals as respects weight and fineness, and, in discharging obligations, to see that no depreciation of value took place to the disadvantage of the creditor, according to the state of things as *now actually existing*.

But keeping in view the idea of a currency, that it is a machinery for circulation, and the statement of transactions and prices, there is no

* Vide Minute on a Gold Currency by Mr. Wilson, dated December 25th, 1859.

CHAP. good reason why we should be irrevocably bound hereafter, by an acci-
 IV. dental form of legal tender which happens to be in existence now. Otherwise this would convert the holders of silver, and those who were on the credit side of obligations contracted in a certain form, into future fortunate speculators in a commodity, whereas, when their contracts were made, this idea did not enter into the conceptions either of the creditor or the debtor, the expression of the contract in the medium having been assumed solely as the readiest mode of stating the obligation, according to the law or custom of the community, and not for the purpose of driving a trade in the commodity, which happens to have been fixed on as the means of measuring value.

If such reasoning as Mr. Wilson's were to be admitted, when the question of substituting a cheaper currency for a more expensive one is considered, such as silver for copper and gold for silver, the community would be absolutely precluded from effecting any improvement or economy in the working of that particular machinery, organised and maintained by the community at its own charges, for the performance of particular functions, which affect alike the State and the individual.

It would be to create a new vested right in consequence of an accident, to bar economy and the progress of development, in favor of certain portions of the public to the disadvantage of the public generally; in short, it would be to do what has been declared politically and socially wrong, and therefore unwise, in all the great changes which have been executed in England since the passing of the Reform Bill.

If we guard the public creditor and the private one up to the actual moment of making a change, if we guard him from any retrospective operation, we have done our duty towards him. But if we legislate so as to give the public creditor and the private one an advantage prospectively, in a sense which was intended neither by them nor the debtor, we then legislate in favor of the creditors to the inequitable disadvantage of the debtors.

Yet if we are satisfied that silver is likely to become hereafter relatively dearer, that is to say, that a change of value is likely to take place by which an ounce of silver will at some future time possibly be worth more than an ounce of silver now is, we are surely bound to consider that the public, including what is called the State, as well as individuals, is made up of two large classes, the creditors and the debtors.

- Bearing this in mind, and that all monetary obligations have been created for value, and not for the commodity accidentally affording the legal tender, we are further bound, according to every principle of equity, to consider the interests of the debtors hereafter to the full as much as those of the creditors. We have no more right to increase the value of the debt of the former hereafter, by declaring that for all time their debts shall be paid in coins constantly gaining a higher value than that originally attributed to those coins, than we should have to declare arbitrarily at present, that the dues of creditors shall be discharged in a depreciated currency, with regard to the actual state of things.

It is believed that a Judge in equity would not consider the possible prospective value of advantages which might be speculatively entertained as an after-thought by one or two parties to a contract, provided that no reference had ever been made to such speculative advantages in the draft of the covenant binding the two parties.

The Judge would consider what was the exact intention of the contracting parties at the time the contract was effected; he would insist on the contract being completed according to that intention, with regard to actually existing circumstances and the due interpretation of the latter as affected by the meaning of the covenant, and he would banish from his mind fortuitous conditions not contemplated originally and which as yet have no reality in practice.

If this view be correct, we may adopt it without danger in considering the obligations of the public and the private creditor and debtor, with respect to the breach of faith argument urged against a substitution of gold for silver.

The contract of the creditor being really made for value, must be completed in value as nearly as possible at the present time; but that value is not to be enhanced in the future, because the form in which the monetary obligation was contracted, is likely to become more costly than it is now or when the contract was made.

Yet if it be true that silver is to become more costly than it is at present, owing to the supply being unequal to the increased demand for it in China and India, we should really add to the debts of all debtors, whose debts have been contracted under the denomination of a silver legal tender, were we to declare that this prospective change in the value of silver is to be entirely ignored. Such a resolution would be a

CHAP. one-sided and therefore an unjust one in favor of creditors, whether
 IV. those creditors are represented by the holders of the public debt, or by bankers and other private individuals.

On the assumption, therefore, that the relative value is likely to be greatly raised—an assumption, however, which must be received with the utmost caution—it would seem that so far from there being a breach of faith in introducing a gold currency in the place of a silver one, we are absolutely bound to do so in justice and in good faith to the public at large, unless we would lay ourselves open to the charge of regulating our measures solely in favor of certain classes, viz., creditors, public and private, who lent value under a silver denomination, and of the actual possessors of silver.

It is evident that these classes form but a part of the whole vast public of India.

When we reflect on the argument by which the introduction of paper money is justified and eulogised by all writers on political economy, from Adam Smith to the authors of the present day, of whom no one has been more eloquent and more convincing than Mr. Wilson, it is difficult to repress the feelings of surprise caused by the argument of bad faith as adduced by him.

His argument and that of all others in favor of a paper currency, is, that the introduction of convertible Bank Notes on proper terms, has the same effect as opening a gold mine in the country to the extent of the relief afforded by the paper currency.

Thus assuming that the Bank-note currency of the Bank of England is 14 millions in excess of the coin kept in deposit, for the purpose of meeting the liability caused by the convertibility of the notes, so much metal, viz., 14 millions of bullion, being released, the metal becomes proportionably cheaper; in other words, money is cheaper, or the same amount of coined money will not purchase so many commodities as it would do were there no Bank-notes, and were 14 millions of bullion, now set free as a commodity to trade with, absorbed in the British circulation.

Consequently the issue of the Bank-notes is a direct disadvantage to the public creditor, who, having lent value, finds that value depreciated by the fact of money having been rendered cheaper by the artificial

'mine dug under his feet. Therefore his 3 per cent. of dividend will not purchase for him so many commodities as it would have done had there been no Bank-note issue. CHAP. IV.

The like consideration affects all private creditors on account of loans as well as all holders of the precious metals.

We have never heard of the British public creditor being permitted to cry out against breach of faith, because the value of the public debt has been diminished from time to time, by the development and improvement of affairs, and the machinery used in conducting them, including Bank-note circulation.

Yet if the argument is worth anything, we must apply it to the introduction of a Bank-note circulation under the law, by which money is rendered cheaper, and the value originally given for public securities is depreciated to the full as much as to any other measure by which a similar result might be produced, such, for instance, as to a substitution in India of a gold for a silver currency, by which the artificially caused extraordinary demand for the latter metal might be checked.

But Mr. Wilson could see no evil in cheapening money, or interfering with the value given by the public creditors or retained in deposit by private holders, so long as his own nostrum of paper was only concerned. He desired, and it is believed rightly, to introduce paper throughout the length and breadth of India for the purpose of realising vast masses of hidden metal, and thereby cheapening money. Not a word in this about the public creditors or the duty of obligations. But there cannot be a doubt, that if he had been permitted to carry out his plans, admirable as they were, and if his expectations had been realised, his operations would have been attended with similar, but far more important results to the creditors in all sorts of obligations, public and private, than he attributes as likely to flow from a substitution of gold for silver on account of the assumed eventual greater costliness of silver as compared with its present value.

The truth seems to be that Mr. Wilson reasoned rightly when he was discoursing on the merits of his paper scheme, and that he was wrong when he talked about the change of gold for silver as involving breach of faith.

He was in the latter instance seduced from his correct principles, by the mistake of attributing to a denomination of value the fact of value

CHAP. V. itself, and he substituted the idea of the character of a commodity for the idea of a currency.

In the former instance, viz., of paper, in which he escaped the difficulty of the commodity, however convertible his paper might be, he remained true to the proper theory of a currency. This, as before shown, declares that currency is a machinery for the easier transaction of all the domestic operations of the State and of commerce. The State being thus responsible for working its machinery, of whatever character, as cheaply as possible, and with the greatest advantage and convenience to the community at large, is bound to use paper as much as it can be applied with advantage, just as it would turn to its own uses a gold or silver mine which might be found in land in which the State has a private property.

But, as already asserted, an economical reform of currency, by substituting gold for silver, which shall give the community the means of circulation and deposit at a cheaper rate than it has hitherto enjoyed, does actually afford also relief, not so large, but similar in kind to that afforded by the introduction of the convertible Bank-note, if the latter operation is to present all the consequences promised by Mr. Wilson; an assumption, be it said, which is open to more than reasonable doubt in the case of India.

CHAPTER V.

The double "Standard of Value."—In practice a single Standard alone exists.—Illustration afforded by France and the United States.

Having established the exact meaning and function of the "Standard of Value," it becomes necessary to pursue the inquiry, for the purpose of fixing the worth of that much vituperated thing a "double standard."

It is said that a country has a double standard when legal tender is made of coins in two metals, silver and gold, in payment of taxes and debts, a given coin of the one (viz., gold,) being held legally to be the equivalent of a certain number of coins of the other, viz., silver.

Metallic money assumes two legal forms. Two metallic media of circulation appear, in either of which obligations may be discharged according to law, either wholly or in part.

At first sight, it might seem that under such an arrangement, two ^{CHAP.} means of measuring the value of commodities are then afforded, and that ^V a conflict must ensue between the two to the disorganisation of trade. It is well to ask if this is so.

If the two metallic means of exchange were abstractions, like the signs for measuring length or weight, they might be jointly retained as mere means of measurement also. No practical inconvenience would result from the use of such two means, but the labor of reducing the one to the other in calculation. As, for instance, it makes no difference whether a piece of stuff is measured in French metres or English yards. Price follows on the actual length of the stuff, and not on the signs by which that length is represented. In the same manner, coins of different denomination, but of the same metal, are reduced from one to the other, according to the value they actually represent, without trenching on any other consideration. When we have to deal with things, and get beyond the region of signs, the reality of value must be dealt with also. Thus silver and gold not being abstractions, but exchangeable commodities, beside having whatever functions of representation and measurement which may be assigned to them, follow the laws of supply and demand like all other exchangeable commodities. This involves variation of relative value with *regard to one another*, according to the changing demand for them, variation in the means of supply, their conditions of bulk, the cost of transport, waste, and so forth. The relative Mint value of the two metals may be struck by law with the greatest nicety, with regard to cost of production and delivery in the country where the Mint is placed, but the vicissitudes of production, and the necessities of commerce, including currency, are ever causing slight variations between the market values of the two.

It then becomes a matter of calculation to creditors and debtors, as to which particular metal will best suit their respective purposes, when all such elements of value have been taken into consideration. It will not be forgotten that in these elements are comprehended the considerations of economical machinery already illustrated, through which an actual economy of the national capital takes place. Others of a not dissimilar character will be adverted to hereafter.

When two metals are engaged in a currency, the principle displayed in Chapter II comes naturally into operation. That metal which asserts

CHEAP: its superior cheapness as the material of machinery, for carrying on the transactions of exchange, excludes the other from circulation.

If a currency in one of the two metals can be carried on more cheaply than in the other, the former will be preferred, although the original cost in producing each of the two is the same.

This consideration affects all alike, both creditors and debtors, because the precious metals absorbed in a currency are so much of the capital of a country, which is devoted without interest by the community to save it from living in a state of barter.

The relative value of the two metals, taken as commodities and not as mere means of measurement, is carefully weighed, and according to the price of the metals as fixed by the value of other commodities, or we may say by the cost of production as involved in the labor expended for that purpose, will the choice be made by the payers of taxes and debts, as to which of the two metals shall be their medium of payment, or in which of the standards payment shall be made.

If it be cheaper to the community to maintain a currency in one metal than it is in another, when both have been launched on equal terms, this circumstance must react on them as commodities, and make the former the preferable means for the discharge of all obligations. It thus becomes established as the medium of exchange and deposit, whatever may be the law about the standard of value, or the double legal tender.

Thus when there is a so-called double standard of gold, or silver, or to speak more accurately, a double legal tender, if it be more profitable to the community at large to pay in gold, payments will certainly be made in it to the exclusion of silver, notwithstanding that the latter is equally a legal tender with the former. In such case, silver practically subsides from circulation, and sinks into the rank of a mere commodity of trade, with the exception of a certain small quantity, which executes very petty transactions, the place of silver in the circulation and in deposit being usurped by the conquering gold, exactly as horses are pushed out by steam, on the superior economy of the latter coming to be recognised as an agent of machinery.

On the other hand, if the price of gold were fixed at too low a rate relatively to silver, in the legal tender of the two metals, with regard to the amounts produced and consumed, that is to say, if the legal

equivalent of silver were unequal to the market value gold possesses as a commodity, the superior cheapness of gold as a material of currency would be defeated by the consideration of the profits of trade. CHAP. V.

Gold would then disappear, and would subside from the circulation, because amid the freedom afforded by a double legal tender, silver would furnish the domestic money, and the gold merchant, being able to take advantage of the larger price gold would fetch abroad than at home, would export it all accordingly.

The nominal double legal tender would resolve itself virtually into the single one of silver, and the best metallic basis of currency for a rich country would be supplanted by the worst, in defiance of a proper economy of the capital of the community, because of an error in the calculation of the value of the metals.

This seems to have been actually what occurred in France, from 1801 to 1850, during which time the *market value* of gold was in excess of its *legal equivalent* in silver.

The variation in the value of silver since the gold discoveries, which is reckoned at 5 per cent., seems to have proximately established the values of the two metals, at the rates previously but erroneously attributed to them, when the equivalents of the two metals were legally fixed. The gold Napoleon ceased to be worth more of silver francs than it could claim by law in the form of money. It ceased to be able to buy more value in a foreign country than it could in its own, which had been the case, till the gold discoveries, and the action of some other countries in this matter, to which allusion will hereafter be made. On this taking place, the superior economy of a currency of gold as compared with silver at once made itself felt. Silver has in consequence, in France, been driven out of the circulation and of deposit, and has been exported, the currency of the country and its reserves being maintained in gold, which has been coined in vast quantities.

The same results were seen in the United States of America. A very slight variation of the relative values of silver and gold was sufficient to cause the fullest weight to be attached to the superior economy of the latter (gold) as compared with the former (silver), for the performance of the work of currency and deposit. Gold was accordingly, as in France, coined in millions to meet the contingency, and silver was exported, that operation being more favorable to the possessors of it than to tender it in payment of debts. The latter (silver)

CHAP. sunk altogether to the rank of a simple commodity of trade. No varia-
 V. tion of prices took place in other commodities, no inconvenience was experienced in measuring values.

The public debts and all other obligations were not held to have been in any manner affected by the circumstances, the Mint value of the new gold dollar having been made as nearly as possible equal to the original Mint value of the silver one. The money made of gold represented value generally to the satisfaction of the public, according to the idea it had hitherto had of value in the silver form, and the gold money was cheaper to the public as such a representative, than its equivalent of silver could have been, on account of the much greater bulk, weight, waste, and expense of coinage of the latter.

Thus it is seen in practice how other things being equal or nearly so, the question of tender, and therefore finally of standard, is determined by the necessity of following the simple rule of economy, which guides the conduct of all manufacturers and merchants in the transaction of their business. It is said that the question of standard is *finally resolved* by the instance afforded by the United States, to which I will now allude, though it may be necessary to dwell on it hereafter.

Thus by the law of 1849 in that country, a step forward was made towards the substitution of gold for silver by the introduction of golden dollars, a certain weight of coined gold being estimated and legally declared to be equal to the original silver dollar.

In 1853, although no legal objection was made to the discharge of the largest obligations in full weight dollars, the silver coinage required for daily petty transactions was by depreciation legally reduced to the rank of a token coinage. Payments of more than five dollars could not be enforced in the token coinage according to law. This change was made as a matter of convenience. The national reserves had come to consist almost entirely of gold.

Perhaps it may be well to mention that a token coin merely means a metallic Bank-note; that is to say, that a certain coin (say of silver) is authorised to stand for more than its weight of silver, and therefore to be a sign of value which it does not itself possess. This is the case with the shilling. To prevent traffic in token coins to the derangement of trade, a legal tender of shillings does not exceed 40. Beyond that sum payment must be legally made in gold in England.

In the United States so much of the old full weight silver coin had been absorbed as a commodity of trade, as to put the community to inconvenience in the execution of petty daily transactions. CHAP. V.

The substitution of gold for silver on account of the larger functions having become complete, the necessity of consulting daily convenience was felt and acted on in the matter of silver coins of small value, as had been previously done in Great Britain.

It was no longer required for the national convenience, that the silver coins current for such purposes should possess the intrinsic value of which they were the signs. The function of representation of value in the national reserves having been finally assumed by gold, it was evidently to the interest both of the State and of the individual, that no more of silver should be absorbed in daily petty commerce than was absolutely indispensable.

Consequently, in 1853, the legal tender of the United States was practically reduced to a single one, the double standard of silver and gold being thus brought down to a single one of gold. This does not seem to have been absolutely stated in words. If any one had been unwise enough after that date to present his full weight dollars in payment of large obligations instead of exporting them, there was nothing in law to prevent him.

With the two examples of France and the United States before us, we can thus hardly resist the conclusion that, as a matter of pure economical science, a battle about a double standard is a somewhat unnecessary contest. For whatever we may proclaim regarding a legal tender of two metals in discharge of obligations, the facts of payment and deposit settle on one of the metals, to the exclusion of the other from the currency. If two metals be declared to be legal tenders, but one will be tendered practically, the other gradually subsiding from circulation, being absorbed in domestic manufacture, hoarded, or exported, as may be found expedient by individual interests.

With regard to what may be further expected, or what may actually take place under the double standard, or when a two-fold metallic legal tender exists, we must again advert to the fact of the exchangeable value of the two metals.

Thus it is absolutely necessary in the interests of commerce and of the community, that there should be but one measure of value, whether or not there be a double metallic legal tender. This is so fully recognised

CHAP. V. in practice both by Governments and subjects, that we find in the countries where such double tender exists by law, that but one denomination of coin, of one metal, is admitted into the calculations of value. This is seen in the transactions of trade and of the revenue. The nominal value of the particular coin remains as a fixed quantity, and is the recognised measure of value, in the face of the legal two-fold metallic tender.

All accounts are kept in it, whether of the public debt or of private obligations. Thus in France the silver franc has remained the denomination of the measure of value, although, as above-mentioned, the legal tender admits of silver and gold, and that the gold has practically driven the silver out of circulation.

The price of the gold is thus determined by the value borne by the silver, at the time that gold asserted itself as the best medium of circulation. All transactions are still measured under the old silver form, though the payments are actually made and deposits are maintained in the gold equivalent.

The interest of the public debt is paid in gold as being the equivalent of the silver, which is due according to the actual terms in which the contracts for the loans were actually conceived.

Thus it may be said, that any possible or prospective change in the value of silver is banished from view, and that the value of silver only is considered by the Legislature and the community as it stood at the date when gold was poured over the country in supersession of the old silver coinage.

The French have not as yet advanced beyond this point. They have not as yet legalised and fixed what has actually occurred, in accordance with the principles which have been stated. We remark a curious phenomenon: the titular standard and measure of value have alike maintained their position in silver, notwithstanding that the money of the country has for the most part become gold. In this manner have discussions with regard to the Public Debt and the Breach of Faith argument been successfully disposed of.

Names have been retained, while legal equivalents declared with the utmost nicety of calculation have changed the face of the money or representative of value throughout France, without in any way affecting prices, obligations, or interests of any kind whatsoever. Consequently it

may be said that the real franc of the present day is the golden equivalent of the silver franc of the year 1850, just as we have seen that in the United States the golden dollar, in which all the reserves and currency are maintained, is the equivalent of the silver dollar of 1849. The comfort of the communities of both countries and the economy of their capital have alike benefitted by the reform operated, according to their progress and increasing wants.

But, as already said, the United States have proceeded one step further than the French, and by the introduction of a token coinage for sums less than a dollar, have fixed their gold currency by law.

It is probable that the gold currency of France is practically as much fixed as that of the States, but it would be well if she also were to have recourse to a token silver coinage, according to the example set by ourselves, and followed by the United States.

We may fairly say that both France and the United States have exemplified in practice what has been maintained with respect to value, and the monetary obligations, consequent on a particular form of metallic currency, the said obligations being contracted for value, and not for the metal or commodity in which the currency is cast.

CHAPTER VI.

Effect of the Demonetisation of Gold subsequent to the Gold discoveries.—Breach of Faith towards those on the debit side of obligations thereby involved.

It is necessary once more to refer to a definition.

The money absorbed in a currency, whether it be actually floating in the course of daily exchange, or in deposit for the purpose of insuring the convertibility of Bank-notes, and of meeting the balance of trade, is so much of the capital of a country, which a community estranges from the ordinary processes and profits of manufacture and commerce, for the easier transaction of its business.

This absorption of capital takes place in a special form, viz., in a certain metal, or in metals which have been produced or imported in exchange for other commodities.

The absorption of a particular metal for the special purpose of money, in other words, of metallic currencies in the several communities

CHAP. VI. of which the world is made up, causes a larger demand for the metal or metals generally, than would be the case if these metals were not so used, that is to say, if they were required only for the purposes of manufacture, jewellery, and so forth.

Many hundred millions of gold and silver are absorbed in the function of representing value, which would be available for other purposes, if it were not more convenient to retain them for that particular one.

The metals are therefore produced in great quantities, to meet the demand on account of this particular function of representing value, which is known as a metallic currency, the metals employed in it being intrinsically worth the value they represent in the form of coins.

The further conclusion is, then, that a much larger production of the metals takes place on account of the several currencies of the world, than would occur if those currencies did not exist.

Consequently, as to make the money of a community of particular metals causes a greater demand for them, and therefore increased production, so, suddenly and arbitrarily to drive one metal away from the function, for which amongst others it was largely produced, cannot fail to affect its value, as shown in market price, till the absorption and waste of manufactures have again given a stimulus to the production of it.

Further, this operation on a metal hitherto used in a currency, called demonetisation, in favor of another metal, which is retained, is liable to render the former cheaper and the latter dearer.

Such a result may be counterbalanced by other causes, but in the absence of such other disturbing causes it could not fail to follow.

The ultimate practical consequence of sudden demonetisation of one of such metals is, that, owing to the cheapening of the demonetised metal, it leaves the country where it has been so cheapened, or it is hidden away, in the hope of better times coming for it hereafter.

The production and importation on account of that particular country ceases, except for manufacturing purposes.

If not compensated for by the opposing action of other countries, we can conceive without fear of error, that production of the demonetised metal would altogether cease, till the absorption and disappearance has occurred through manufacture and waste, till the reserves previously held had been finally exhausted in it.

This having taken place, the value of such a metal would again rise to what it about formerly possessed, relatively to other commodities with regard to the cost of the labor expended in its production. We have seen that in France and in the United States, silver has been *gradually* but practically demonetised in recent times, without shock to existing interests, as it had been previously in England. CHAP.
VI.

It is unnecessary to remind the reader of the extraordinary wealth of those countries and of the productive power of their respective communities, as compared with all other countries and communities in the world. The trade and the production of them has been increasing at an accelerated ratio since the termination of the great wars in 1815. Leaving England out of the question, as having effected her currency reform before the gold discoveries, we may content ourselves for the present with the consideration of France and the States, with regard to the subject before us.

Their enormous wealth and trading power demand a great mass of metallic currency and reserves; and the demand is ever increasing with the progress of their development, the daily augmenting multiplicity of the engagements and obligations they have to meet.

For as the trade of a country and its capacity for production increase, so also does its demand for metallic reserves.

The reserves of France and of the United States must, as a matter of course, follow such a very simple and obvious rule; and we have evidence of it in the enormous gold coinage of both countries.

The latter fact shows, besides, that their reserves are now held in gold instead of in silver, or part silver and part gold, as in former times. In these circumstances, and in the fact of the increasing wealth of Great Britain, France, and the United States, we find a chief reason why the value of gold has been but little affected by the gold discoveries, and the extraordinary production of gold which has taken place in recent years as compared with times antecedent.

If, as was done in some other countries, gold had been artificially demonetised by France and the United States subsequently to the gold discoveries, the result expected with much alarm by some economists and Governments would probably have ensued. It is certain that according to the amount now producible in the known mines, silver could

CHAP. not have continued to supply the currency and reserves of those coun-
VI. tries amid their great development without an extraordinary rise in its value, as compared with gold and other commodities.

Had then those countries been as ill-advised as some others, it is really true that silver might possibly have taken the place of gold, and all loans and obligations, including public debts, nominally payable in silver, would in such case have been doubled, perhaps trebled, in value.

It perhaps may be said, then, that the course pursued by France and the United States, and by England, in the matter of metallic currency, has saved the world from a great revolution in the relative value of the precious metals, and from the evils which could not fail to have followed on such a revolution.

On the other hand, the conduct of other Governments which acted under feelings of alarm, and from incapacity to grasp the reality of what they were about, was exactly calculated to cause the disaster which was the object of their fears.

In the countries under such other Governments, the fact was overlooked, that to demonetise gold, which had hitherto been used in aid of a silver currency, was to add to the effects of the change caused by the gold discoveries; in the absence of compensating foreign causes, to degrade the value of gold by arbitrarily reducing that demand for it which had hitherto had the sanction of law and custom; to deprive it of the principal function on account of which heretofore it had been largely produced, viz., the functions of currency and of deposit, of forming part of the national reserve, whether in the public exchequer or in individual hoards.

Thus was gold reduced in those countries hastily and arbitrarily to the rank of a mere commodity of trade and manufacture, instead of being permitted to be the agent of vast operations involved in the character of being a legalised representative of value.

In addition, therefore, to the mines discovered in California and Australia, gold mines were artificially created by the inconsiderate conduct of the Governments alluded to. To the best of their ability, these Governments poured forth on the world the gold hitherto absorbed in their metallic currencies, or condemned it to idleness, when they degraded it from use in their domestic exchange. That took place which has been

stated as certain to occur in the absence of disturbing causes. Gold was relatively cheapened as regards silver, its price being determined by the artificial value communicated to the latter. CHAP
VI.

For the value of silver could not but be proportionally raised, with regard to the amount of that metal existing and annually produced in the world being called on to perform the great function of money, or of representative of value, which had hitherto been divided between silver and gold.

The consequence was, that in all the countries adopting this course a positive injury was done to the community generally, and to all debtors, because the repayment of obligations, from the date of the legality of the gold tender being denied, had to take place in silver, the value of which had been thus artificially and arbitrarily raised, that being subsequent to the date on which the contract of the obligations had been made.

This injury was to the detriment of the State in its character of debtor, as it was to all other debtors.

It was a successful speculation in favor of the fundholder and of all creditors. It was also a successful speculation in favor of all those who happened to possess hoards of silver metal, while it was the contrary to the holders of gold, it being understood that disturbing causes of the counter operations of wiser Governments are put on one side, while the question and its conditions are stated with purity and absoluteness.

Under such circumstances, there is small room for surprise that silver should rise 5 per cent. in value, which may be fairly attributed to the conduct just illustrated, and *not* to the new production of gold.

We can only be thankful that it did not rise still more, a circumstance which, as above shown, can only be accounted for by the wise conduct of the three most wealthy and actively producing communities in the world, those of France, the United States, and Great Britain, and by the fortunate era of peaceful progress and of national development in which that conduct took place.

The progress and the development of these countries were sufficient to prevent any but slender change in nominal value on account of the increased production of gold, and their conduct was almost able to obstruct the mischievous regulations of other Governments, which tended directly to raise the value of every debt, public and private.

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We cannot then resist the conclusion that the conduct of the Governments of Holland, Belgium, and India in this matter, which has been mentioned in terms of commendation, as being an useful experience by a great authority (the late Mr. Wilson), it being called by him an act of great caution, was in fact one of inconceivable rashness.

He says that, "Before the gold discoveries, silver was rarely so low as 4*s.* 11*d.* the ounce; since, it has seldom reached, or at least exceeded, 5*s.* 2*d.* the ounce; but under the apprehension of a fall, the Government of Holland, proverbial for its caution, was the first to take alarm, and having then a circulation of both gold coins and silver coins, which were a legal tender at a fixed relation to each other, they demonetised the gold coin, leaving silver, the ancient standard, the only legal tender."

Thus Holland, it appears, merely *under an apprehension* of a fall, and not because a fall in the value of gold had occurred, was the first to set the fatal example. Holland was the first to create an artificial gold mine to aid the new Californian natural mines in changing the relative values of gold and silver, in fact, to cause the very evil it professed to dread, and doubtless did dread.

The example was followed by another small but very rich country (Belgium). India under the British Government did the like, and gold, which from time immemorial had been coined for circulation and reserve by all the Governments which preceded ours, was made suddenly to cease to form part of the British Indian currency.

The inevitable consequence was soon seen. The price of silver being thus unnaturally forced in other countries, while it remained at its natural value in France, the United States, and Great Britain, according to the commercial law which enjoins all traders to sell things in the dearest market, and to buy them in the cheapest, silver forthwith began to flow to the market where it could fetch the highest price.

I would ask leave, in considering this important matter, notwithstanding the fear of repetition, to refer again to the points involved in the value of obligations being increased, by the sudden and arbitrary demonetisation of gold in the several countries where it occurred.

I would also request that the facts of value, as applied to obligations (public and private), may be borne in mind, the deduction from them being in the present instance, that to demonetise gold arbitrarily and summarily, to order that silver only shall perform the functions of metallic money, is to interfere with value as it has been hitherto determined

in respect of silver, to give a high price artificially to silver, and then to rule that that high price shall stand in the place of intrinsic value, as measured by the cost of production. Consequently an *artificial high* price replaces the natural price at which silver was estimated, when it was selected by contracting parties to represent value in mutual obligations between debtor and creditor, it being the fact that the particular metal was only the representative of value, and was not itself a commodity of trade, in which either party was driving a speculation. CHAP.
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These considerations are peculiarly important when we consider the public debts of countries, money obligations connected with the mortgage of land, &c., &c.

There cannot be a doubt that in all the countries in which gold was arbitrarily demonetised, the public debt in those countries having been contracted under the denomination of one of the forms of legal tender, while two were admitted in the currency, the operation took place for the benefit of the holders and the detriment of the tax-paying public, in exact proportion to the rise in the value of silver, viz., about 5 per cent.

If they sold 100 rupees of their stock, they received value which was equal to five rupees more than they had originally lent.

Their dividends from henceforth were 5 per cent. more valuable than they had contracted to receive, although the nominal interest was the same.

All mortgagees, all holders of policies in life insurance, in short, all creditors in monetary obligations made antecedent to the demonetisation, received a like benefit to the *positive detriment* of the debtors.

It is really pleasant to observe that, with regard to the breach of faith argument, that which has been *most erroneously* used against a substitution of gold for silver, might have been, indeed ought to have been, if the nature of value is fairly considered, urged with firm and honest purpose against the operation called a measure of caution by Mr. Wilson.

It is certainly true that the fund-holders, the creditors, and the holders of silver of the time in the countries referred to, exercised the caution which makes laws and regulations to enhance the value of existing property, in other words, which legislates in a purely selfish interest to the detriment of the public at large which pays taxes, and of the huge class of debtors, including what is called the State.

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CHAPTER VII.

Justice can alone be done to the Community of India by the introduction of a Gold legal tender, and the consequent prevention of rise in the value of Silver.—Effect of the rise in value of Silver on the very poor. Instance afforded by the incidence of the Salt Taxes.—Loss caused to India by the compulsory importation of Silver.

Amongst other arguments which have been used against the introduction of the gold legal tender, we have been told that a great injustice amounting to robbery would be inflicted by it on the ryot, or cultivator. It is asserted by some that the proposed measure is meant to add to his difficulties, and it has been dubbed confiscation on such an account.

The assertion is a seducing one to some minds. It is indeed but a re-statement of the breach of faith argument with a dash of sentimentalism infused, for the purpose of attracting the support of the British philanthropist.

It may be fairly said that the truth is exactly opposed to the assertion, and that justice can only be done to the ryot, and to those who are lower down in the social scale than he is, by reverting to a gold currency.

It has been shown that, putting disturbing causes aside, an arbitrary and absolute demonetisation of gold must of necessity raise the value of silver. Consequently such an operation is directly disadvantageous to all debtors whose obligations were contracted prior to it.

Such demonetisation is also disadvantageous to all who are bound to make payments of given sums at regulated periods according to ancient contracts. For the sake of argument, we must assume that the rise in the value of silver with respect to that of gold is the same in India as it is declared in the markets of Europe, although that perhaps is hardly so. Thus, if silver is now worth 5*s.* 2*d.* an ounce instead of 4*s.* 11*d.*, as was the case in Europe in former days before the gold discoveries, and before gold was absolutely demonetised in certain countries, every obligation contracted under the national denomination of value, viz., the rupee before the changes adverted to, is practically worth about 3*d.* more in five shillings, or something like 5 per cent., than it would have been had no such changes taken place.

Consequently all leases, mortgages, and public debts impose this disadvantage on those who are on the debit side of the contracts made prior to the operation referred to. Such parties—counteracting causes

being put on one side, of which notice will be taken hereafter as affecting India—are actually now paying about 5 per cent. more of value than they contracted to pay, because they are compelled arbitrarily to pay their dues in a metal the market value or selling price of which has been artificially raised 5 per cent. by the absolute demonetisation of gold.*

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Let us examine how this circumstance acts on the ryots of India.

In the first place the land revenues of India being in the nature of rent, the State landlord receives 5 per cent. more of value than he intended when he contracted for the rent of his lands, or in other words settled the assessment of the land revenue.

In Bengal this settlement, made in the last century, was a permanent one. Therefore in Bengal, the essence of a permanent agreement has been invalidated by the fact of a circuitous arrangement, one altogether out of the minds of the contractors on both sides to the settlement when the settlement was made, that is to say, other disturbing causes being put on one side, the permanent landholders of Bengal now pay 5 per cent. more of value for their land than it was originally intended by them and Lord Cornwallis that they should pay, or than they did pay for more than half a century after that settlement was made.

In the North-West Provinces and in Bombay the settlements are not permanent, but run for thirty years.

In the North-West Provinces the settlements were generally effected after the Act of 1835,† but before the treasuries were ordered not to receive gold in payment of revenues.

The rents were therefore fixed in a great many instances before the value of silver could have been affected by the gold discoveries, and its price raised by them. Consequently, until the settlement comes to a close, the older lessees or payers of revenue under the thirty years' settlement of the North-West Provinces, are affected similarly to the

* Be it said, in passing, that for the sake of the argument I am obliged to assume that the popular demonetisation of gold has been really as effective in India as the laws and regulations would have made it. It will be seen in a following Chapter that this is by no means the case, and that there is consequently reason to believe that India has in great measure escaped the evils of that demonetisation, as affecting the relative values of silver and gold.

† Act XVII of 1835. This Act determines the silver and gold coinage, and establishes equivalents of respective values. It also enacts that gold shall not be a legal tender.

CHAP. permanent tenant of Bengal. The land settlement of Bombay, which
 VII. is still proceeding, seems not to have been commenced at so early a date, but the argument must also partially apply to that Presidency.

It is obvious, therefore, that, so far as rent is concerned, all obligations contracted between the State landlord on the one side and the tenant on the other, which are older than twenty years, are discharged according to a notion of the value of the rupee which was not intended by either of the contracting parties, and which is to the direct disadvantage of the tenants. Let it be remembered that these tenants are the classes on whom most of the direct taxation of India is made to fall.*

Whatever may be our opinion of the policy of the immemorial system of State landlordism, for raising the funds required for the functions of Government and administration in India, it is clearly wrong and unjust to add to the burthen indirectly. Yet this is exactly what has been done by the course pursued with regard to gold and silver in the currency of the country, in disregarding the fact that a certain idea of value was originally contemplated by the lessors and the lessees, and not the actual commodity or metal, in other words, the special form of money, in which that idea was for the time nominally represented in contracts.

In addition to the difficulty stated with regard to the contract made with the State landlord, we have the further facts of the indebtedness of a large proportion of the Indian landowners and ryots, under whatever name they may exist, towards bankers and others. This state of indebtedness is not only general, but is also in a vast number of instances of very old standing. It has come down from generation to generation, and is transmitted from father to son; the security being in the form of mortgage.

Here again the mortgagee profits, as it has been shown that the State landlord profits by the arbitrary elevation, given to the market price of silver, by the demonetisation of the gold.

* This is not said in depreciation of the Indian system of land revenue, which I believe to be a most perfect engine of raising money for State purposes, when it comes down from ancient times, as is the case in India, and is not arbitrarily applied as a novelty, and therefore a tax. In the former it is strictly rent, in the latter it is an impost which may or may not be equitable with regard to the burthens placed on the classes connected with the land.

Again has the burthen of the indebted ryots and of the indebted possessors of land been artificially and circuitously raised. CHAP. VII.

It may therefore be said that in the matter of change of value in consequence of the absolute demonetisation of gold, the great landed interest represented by the ryots or tenants under other names, and by the indebted freeholders of India, stand with regard to the breach of faith argument in the same position as the State, when the latter is viewed as a debtor on account of such portion of the State debt as is more than twenty years old.

In the character of a debtor the State is unfairly prejudiced.

In its character of landlord it obtains an unfair advantage in Bengal with regard to the permanent settlement, and in the North-West Provinces with respect to the thirty years' settlement inaugurated by the late Mr. Thomason.

If even there had been no counteracting causes to bar the effect of the legal demonetisation of gold, it is possible, perhaps indeed very probable, therefore, that so far as the public purse, the Exchequer, is concerned, one of the circumstances neutralises the others,

In like manner, assuming the rise of the value of silver to be a fact for the sake of the argument, it is by no means improbable that the tenants or ryots who are wealthy and follow the national instinct of hoarding, have found a compensation for the increased value of the rents they pay, in the increased value of their savings. But the indigent ryots who were not what is called "before the world" when the value of silver was raised, who have to pay the interest of mortgages contracted by their fathers or by themselves, have no such compensation wherewith to mitigate the additional burthen inflicted on them, by the artificially effected increase in the market value of silver.

It is therefore evident that any measure which tends to arrest the rise in the price of silver, to cause the value of contracts to be appreciated, as apart from the arbitrary augmentation of price of a particular metal which happens to be the legal tender of the day, cannot but be an unmixed advantage to the vast Tenant interest of India, from which comes the great bulk of the revenue of the country, in the form of a rent paid to the State landlord.

There are other numerous classes besides the ryot and the indebted landowner, which have a right to demand that the value of the silver rupee shall not be artificially raised.

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It is far from my wish to reflect on the financial system of India. The improvements which have been made during the last half century, the abolition of transit duties, the reduction of the rates of land assessment, the abatement of customs duty on articles of first necessity, are all evidence of the spirit by which the Government of India is actuated, and of the right course in which it is moving. Difficulties present themselves with regard to raising the necessary revenue which impede reforms otherwise desirable.

It is on such account, we may presume, that the salt taxes, which are condemned on principle by the most enlightened Governments of Europe, still find a place among the imposts on which reliance is placed by the Indian administration. The effect of the salt tax on the very poor is, as it is well known, of a most serious character. Thus, it is not too much to say, that people of this class, in order to support life, to prevent themselves from being slowly poisoned by the scanty farinaceous food on which they subsist, must spend a large portion of their incomes on the purchase of salt.

The salt must be paid for in the legal tender of the day or in silver, a great part of the price of the salt being a direct tax to the State. The poor man like the rich one cannot escape a physical law. Although his income may only be from 3 to 4 rupees,* or 6 to 8 shillings a month, his health requires that he should consume as much salt as the man of large fortune.

It must therefore be admitted that, although the salt revenues may be levied either in the form of Excise or of Customs, they do in effect constitute a Poll-tax on every man, woman, and child in the country, simply because salt is a necessary of life.

It is then evident, that any measure which conduces to raise the value of silver artificially, in which, as at present ruled, taxes can alone be paid, forms an addition to the Poll-tax which is levied on the enormous masses of the Indian population.

Perhaps it will be said, that all disturbing causes being put on one side, silver being assumed to rise in value as is feared, the rupee received by the very poor man as wages will rise proportionately in value with that portion of the rupee paid away by him as a tax on salt to the State.

* Such a low rate of wages is now much less common than it used to be.

This is true; but we may be quite sure that if the value of silver with regard to all other commodities were to rise, the actual rate of wages as represented by the number of rupees paid for labor, would sink as the value of silver rose. CHAP.
VII.

It is not perhaps likely that such a consideration would influence the scale of the salt taxes, unless it had been determined to revise the financial system and to abolish salt duties.

On the contrary, we know that actually while the price of silver has been affected in European markets by the demand of importation to India, it being believed by many, however contrary it may be to fact, that the value of silver in India was also rising, the tax on salt, which, according to the legal tender of the day, must be paid in silver, has been raised.

I must again guard myself and bring to mind that for the sake of the argument, the facts of silver and gold only have been considered, the effect on the former, by the absolute demonetisation of the latter, being alone taken into account in answer to objections offered to the proposed reform. It will be seen, as the inquiry is prosecuted, that both metals, gold and silver alike, have of late years sunk in value in India about *pari passu*. Consequently, both the payer of rent and the payer of salt taxes are on this account better off than they used to be, with the exception of persons living on very small fixed incomes—a considerable class in the town and village communities of India.

Before quitting the subject of justice to the community as involved in the proposed reform, it is well to advert to that which is so clearly stated in the Memorial of the Chamber of Commerce, viz., "that while silver must be transported to a great distance, and reaches India burdened with heavy charges, gold may be cheaply procured from neighboring countries."

From this follows a prejudice to India, because silver being burdened with such heavy charges, cannot be re-exported without loss, much of its reproductive power being thus lost to India.

It is further pointed out in the same Memorial that India, instead of being the last recipient and the absorber of silver, would become the first importer and distributor of gold, if her currency were put on a reasonable footing.

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With regard to the facts of India being a producer of manufactures as well as of raw commodities, both the former and the latter being available for direct export to the gold-producing countries, it seems clear that a positive injustice is done to the Indian community by permitting a state of things to exist which unfavorably affects the value of gold in India, and compels a large importation of silver when gold would otherwise be preferred.

There can be no good reason to compel the precious metals to make the journey from Australia round by London to India, instead of coming direct to the latter country. Yet that is what to a certain extent necessarily takes place, and which throws heavy charges on the metal ordained as a legal tender, viz., silver. The gold of Australia must go to London to be exchanged for silver, which is then sent out to India after being bought at an artificially high price in Europe and the United States. The European markets are the middlemen, who obtain their profits on the silver sent to India to restore the balance of trade.

Those profits are thus a partial deduction from the profits which would otherwise accrue to India herself. It is evident that this is neither more nor less than a grievance, seeing that the proceeding is arbitrary and artificial, and not demanded by the natural wants of commerce.

It may be argued that the present extraordinary state of things cannot last, and that India will cease to be such an importer of the precious metals as she now is, when the supplies of cotton from different parts of the world shall have become equal to the demands of the several markets of Europe and America.

This may be true to a certain extent; but so long as India is a great producer of raw commodities and a considerable manufacturer, and until the masses of her people have so changed their habits as to become great consumers of European productions, we must understand that the balance of trade will continue to require a large annual importation of the precious metals. Let it be remembered that her powers of production, her capacity for manufacture, and her determination to avail herself of the profits of foreign commerce, are daily increasing, while the change of habits and customs, involving a demand for European commodities to which the Indian mind is not yet habituated, cannot but be a matter of very slow growth.

I have heard it said in answer to this argument, that the trade of India with Australia being as yet slender, to import gold direct from the latter to the former in large quantities is at present impossible. We may however believe, that mercantile ingenuity would overcome any difficulty of execution which stood in the way of buying gold cheap at the mouth of the mines, instead of when it is burthened with the cost of freight by a journey to London.

Thus if A, an Indian merchant, exports his cotton to B in England, B may send cloth to C in Australia and make his payment to A in India in the form of bills drawn on C in Australia, which would be discharged in gold. That gold is I believe worth about £3-15 in Australia instead of £3-17-10 the price of the Bank of England, to which it rises in the European markets in consequence of freight, &c.

CHAPTER VIII.

The introduction of a Gold Currency into India is urgently required as a matter of convenience and economy to the people at large.—A Paper Currency inoperative, owing to social causes.—The introduction of a Gold Currency demanded by the same social causes.

We now proceed to other considerations.

It is believed that the justice of any measure, including the gradual and partial demonetisation of silver, which may prevent the further upward move of the market value of silver, or its selling price, has been fully proved.

We have now then to discuss those other parts of the question which have been already generally stated in the second chapter of this treatise, viz., the convenience to the people, the superior economy proposed by an arrangement which shall include gold in the currency, as compared to the charges and want of comfort to which they are at present exposed.

With regard to Mint operations, to economy of manufacture and administration, and to the saving of waste of material, and therefore of the national capital, by substituting generally as means of circulation and deposit, the more costly metal, gold, for the cheaper one, silver, it is unnecessary to recapitulate the arguments by which this part of the subject has been already illustrated.*

* Vide *supra*, Chapter II.

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VIII

But when we come to consider the questions of portorage of coin, and of preserving in security the savings of the poor and of large sections of those elevated above poverty, we touch a subject intimately connected with the social habits and the imperfect civilisation of the people.

Let us reflect on the fact that the populations of India have the most simple and gregarious habits. There are tens of millions of the people who carry their little store of wealth habitually with them on their persons, or bury it in the corners of their huts. To perceive the actual presence of their hardly saved rupees, or to conceal them away from the eyes of all other men, is their only notion of safety for their slender property.

For them, therefore, it is difficult to over-estimate the advantage of having the intrinsic value of their savings in the smallest and most portable form. The intensity of the want of portability of money comes before us in various ways. It is one of the conditions of what may be called the extreme promiscuity of existence seen in Oriental Bazzars, in the town and village life of India, as compared with the habits of European communities.

The importance of portability of the precious metals, as a means of being constantly on the watch to preserve the reserve wealth of the family, is observed in the addiction to personal ornaments of silver and gold.

The reserve capital of a family is carried for safety on the persons of the women in the form of gold or silver bangles, as much as for ornament.

It is but an instance of the habit of thought, of the desire, amounting to a craving, to intensify the feeling of security, which we see in Oriental Potentates, who invariably invest large portions of their surplus wealth in precious stones and durable valuables.

Thus, every man who is just raised above mendicancy, carries his little store of money on his person, or he buries it. The waistband of almost every such man contains a few rupees or a coin or two of gold, which represent all his wealth, except his wife's bangles and his tools.

We saw the exaggeration of the notion of the value of portability during the recent rebellion in 1857-58, when the price of gold rose 50 per cent. in the bazars of the North West, solely because of that

quality. The gold mohur, which used generally to be exchanged by the money-changers for 16 rupees, its Mint price being 15 rupees, actually rose to 24 rupees, which were readily given for it. CHAP. VIII.

I am particular in noting these circumstances, because, if fairly interpreted, they display a far more serious necessity for the introduction of a gold currency among the population of India as a matter of convenience, than perhaps may be the case in more advanced communities. This has probably always been so, but it seems particularly desirable now that wealth is beginning to spread among the people in a manner which would have been believed to be impossible a few years ago.

In America and in Europe the great reserves of precious metals are for the most part secured in the strong rooms of Banks, the value being represented by convertible paper. The promise to pay satisfies every one. The reserves being known to exist, and to be forthcoming to redeem the promise, gold and silver are but little seen in the course of business, except in the petty daily commerce of life.

The old habits of feudal Europe have well nigh died out. Secret hoarding, the carrying about the little store of wealth on the person, and the use of the hearthstone, so common in many countries till quite a recent date, the resources of the weak and of the oppressed, seem to be almost forgotten.

Money is felt to be safer in a Commercial or a Savings' Bank. The people are satisfied to let their money "breed" if possible, and faith in obligations such as Bank-notes, or Bank-receipts, has entirely replaced the want of confidence, which among ignorant and backward populations, refuses to be satisfied except by the daily evidence of the senses.

But Oriental populations, if we except the inhabitants of a few large seaboard cities, are generally a long way from such a result of progress in social polity. They are not practically educated to the point of appreciating the convertibility of paper, and the advantage of popular banking. The latter in their eyes is connected with their natural enemy the usurer. The former must remain for a long time an object of distrust.

The people hug the idea of intrinsic value in coins of the precious metals which will last for ever, which will be again found, if war sweep over the country and destroy all that is above ground.

CHAP VIII. It will be understood that they would not care to bury the Bank-note in a corner of the hut. They would know that the paper would rot, be destroyed by damp, or be eaten by insects.

They would further be always oppressed with the idea that it might lose in value, or become inconvertible hereafter, in the midst of political changes,—a by no means unreasonable suspicion.

To the very poor the Bank-note would also present serious objections on account of its easy destructibility. It must wear out in the waistband. Its want of weight, its very flimsiness, preclude the idea of its general use by the very poor, who like to assure themselves by constant touch that their little reserve store of wealth is actually in its usual place on their persons.

There cannot be a doubt that such people would long to change the Bank-note, when paid to them in satisfaction of their dues. This they would undoubtedly do even at considerable loss, rather than continue to trust in what to them is a doubtful representative of value. Such facts daily pass before our eyes, even in great marts, where other things might have been expected.

It may further be said that, of all people in the world, the population of India carries practically and keenly into execution the principle, that the money actually current is a commodity which must possess the intrinsic value it assumes to represent.

To them bangles are convertible into rupees and *vice versâ*.

“The gowd’s the gowd for a’ that.”

Thus in some Native States, the people refuse in their retail operations to take the British rupee without a slight discount, because they declare, whether rightly or wrongly, that the rude rupees supplied from their native Mints, have more of silver in them, or are freer from alloy than the British rupee.

The gold mohurs produced in the Native Mints, were, I am informed, always more in demand for similar reasons than the British gold mohurs, when gold was received at our treasuries. To this day, the purity of the old gold mohur of Oudh, and of the gold mohurs coined at Jeypore, is held in high estimation.

These matters are valued with the greatest nicety by the native cambist, and they descended into minute retail operations, to the extreme disadvantage of the very poor.

Those practically-acquainted with India will understand how they must affect a widespread circulation of Bank-notes. The difficulty of generally applying Bank-notes, must remain, until the suspicions of the people have been allayed by practical and patient education, and their civilization in the matter concerned has reached the point we have lately, but very lately, seen attained in some European countries. CHAP.
VIII.

It is not asserted that a large development of the paper currency would not greatly facilitate the business of domestic commerce, the transactions in the large towns, the operations of great merchants and shop-keepers, and of Government in its several characters of State Landlord, Merchant, Producer, Administrator, Banker, and Provider of a currency. I desire only to show that what are called the masses, the hundred millions, with the slight exception perhaps of those living in the seaboard cities of Calcutta, Bombay, Madras, and Kurrachee, will, for the present and for many years to come, fail to appreciate a system of paper representing Government promises to pay.

My object is to declare the strength and importance of the habits and customs,—of the immemorial feeling among the many races of which the people of India is made up,—that they must have intrinsic value in their hands, before they are convinced that payment has been made to them. In their present state of knowledge and civilization,—their habits of thought and of practice being based on the ideas of barbarous ages, when concealment and the hoarding of money were necessities of existence,—we should not expect them to hold different views. Such views will in the lapse of time come to be entertained, but it is in vain to attempt to force them forward. They must grow naturally amid tender encouragement.

In this matter we have to overcome what is called the “immobility” of the East. This we know successfully resists sudden pressure. It can be stirred only by bringing Nature to our aid, as we remove the bar from the mouth of a harbour, not by steam-engines and hydraulic presses, but by turning a current, which gradually washes away the immemorial obstruction.

So must it always be in the introduction of improvement into Hindustan. We do not find that the natives of India are slower than those of other countries to profit by innovation, when their understandings have been convinced that advantage will flow from the change. But it is certainly true that the conviction must be practically won.

CHAP. Theories are not taken on trust. The experience of other countries-
VIII. is not admitted as sufficient. Custom is paramount till it is dislodged by the actual evidence of the senses, that success attends a change, and that gain follows on the change.

This having been achieved, immobility is shaken among the masses, the bar finally disappears before the increasing strength of the new current directed against it.

Then is perceived what we have seen in the plantations of New Orleans cotton in Southern India, and of tea in the North. In each case the people had to be practically educated to the point required for a change in their industry. The introduction of the change could not be effected in less time than that represented by a generation. It finally took place, because the people had at length convinced themselves by their own experience, that what was announced by Government and foreign planters was actually true.

These facts of Hindustanee nature, so important to the Legislator and the Administrator, must surely not be permitted to escape us, when we contemplate the introduction of convertible paper, and desire to substitute promises to pay in the hands of the people, for the metallic payment itself. For in this the uneducated and the timid have alone confidence, because as yet it is the only thing they have known, by which value could be represented, and the only thing which has been proved to them by the experience of ages to be durable and recoverable, when all other produced things might be swept away.

The social aspect of the question is after all the truly important one, that which presents enormous difficulties in the way of execution of a general paper currency. The economical theory of the advantages of a paper currency is doubtless absolutely true; but we are convinced by a thousand instances, that in politics scientific truth must wait patiently, must gradually force itself on popular conviction, here a little and there a little.

An over-hasty application of the most perfect economical system, which ignores the facts of the existing state of knowledge and civilisation, defeats the objects sought by the advocates of the change. In such case the Government of a country is fortunate, if the resistance it is certain to encounter, be only dumb and dogged, as it might be in India, instead of violent and inflammatory, as it assuredly would be in Europe.

It seems to me that those who, like the late Mr. Wilson, have had absolute faith in the virtue and the possibility of the immediate application of a convertible paper throughout India, have overlooked the foregoing considerations. CHAP. VIII.

Thoroughly imbued with the truths of economical science, they have overlooked the social bar standing directly before them, submerged though it may be by the calm waters of Indian tranquillity and apparent submissiveness to the orders of Government.

They have forgotten that that submissiveness is perfect, so long only as the personal interest of the individual is favorably concerned, but that at the point where the interest is either prejudiced, or the individual *thinks* it is prejudiced, the opposition becomes determined and invincible. It is none the less so, because of the outward calm of the spoken and acted submissiveness. As before said, we find ourselves in the presence of great results of natural causes. These results cannot be removed until the causes themselves are diverted.

Yet Mr. Wilson thought, and tried to act on the thought, that by a simple order of Government, the people of Hindustan might at once be induced to appreciate and use a convertible paper currency, which would have dropped on them as a novelty to be understood and fed on, as manna was by the Israelites in the wilderness.

It is not then too much to say that Mr. Wilson fell into the error of overlooking or of putting aside the political truths conveyed by the social aspect of the question.

It seems clear, that in his ardent desire to relieve the currency of India from the difficulties in which he found it, according to his own economical views, he entirely failed to estimate the obstacles presented by custom and habit, by ignorance and prejudice, by the facts of the enormous numbers of the population among which the metallic reserves of India are fractionally distributed, the principle of the Savings' Bank being as yet entirely unknown to them.

Mr. Wilson evidently must have reasoned as if he had had a British or an American public before him, which has been educated to the point of understanding, that the convertibility of the Bank-note when real and positive under the authority of the State, or any other equally valid authority, is but another term for actual value.

His sanguine temperament was perhaps unable to appreciate, that to cause such a truth to sink into the mind of the Indian population,

CHAP. and to become operative amidst its shallows, must be an affair of many
VIII. years. He was probably misled by what he saw at Calcutta and at Bombay. He doubtless assumed, for the more convenient floating of his schemes, that the great masses of the Indian people differed in no respects from the native inhabitants of those vast trading cities.

Yet nothing can be more erroneous. Bombay and Calcutta evince the effects of a practical British education, which has lasted for two centuries. In the matters of trade, of the changes and improvements in the art of commerce, they have proceeded with the European countries, more especially England, with which they have been in direct communication. In such respects, therefore, the people of these cities resemble the communities of Liverpool and London, rather than the masses of their poor countrymen in the provinces, who are only now commencing the rudiments of a like education.

This has been practically seen in the districts, wealthy as they are, and overwhelmed by the sudden prosperity lavished on them by the cotton crisis, where the Bombay Bank has established its branches.

The people of those districts are shown to be not ripe for a Bank-note circulation, and in point of fact they will not have anything to say to it.

They are greedy of the metals in every form. Silver coined or uncoined, gold in bars and golden bangles, have the greatest charm for them. Gold on such account is bought in the Bombay market and taken into the interior directly it appears. There is at present no more profitable trade than to import gold for this purpose. An ingot currency organised by the people themselves, has as it were sprung into existence, on account of the new value created in the country by the cotton crisis, and by the largely developed export trade following on it. But the Bank-note is despised in the provinces as it was before the strange, unlooked for, and enormous addition to the material wealth of the country, which has recently taken place.

It will be recollected that Mr. Wilson's schemes were elaborated in 1859, or more than a year before the outbreak of Civil war in the United States.

Nothing could be so favorable to the development of a paper currency as a vast accession to a material wealth, the consequent increase of transactions, and extraordinary impetus given to the activity of trade.

Circumstances on which Mr. Wilson did not reckon, have all been CHAP. VIII. immensely in his favor.

Yet, so far as we know, whenever Bank-notes have been offered out of the Presidency towns, they have failed to attract attention; while on the contrary the old passion for the possession of the metals, silver and gold, has made itself felt with tenfold force among the "nouveaux riches" of Hindustan.

Thus have old social habits been triumphant, and the artificial devices of the Art of Commerce, for the furtherance of the freedom of exchange and the saving of capital, are steadily put aside, simply because their merits are not understood, and because the people are not educated to the point of understanding them, and therefore of departing from their ancient custom.

It is curious to note the determination of the population at large to acquire gold in preference to silver as a means of ornament and hoarding, so soon as their increased wealth permits of it.

The fact is remarked and reported by Collectors and Superintendents of Police. It is said that since the cotton crisis, gold bangles have in some favored cotton districts become almost as common as silver bangles were before. Sir Arthur Cotton relates that before the opening of the Godavery canals, the district of Rajamundree was one of the poorest in India. The irrigation of the soil converted it to a rich one.

He visited the district a few years after his canal labors had produced their fruits. Wealth had taken the place of the most ghastly poverty. The district had become a steady importer of *gold*.

It is then evident that the people must have and will have gold.

The want of it being strongly felt in accordance with the instincts of the people, with regard to the late accession to their wealth, they are rudely proceeding to supply themselves.

Thus twenty-one millions of gold (pounds) have been imported into India since Mr. Wilson's currency scheme was propounded, viz., since 1860-61.*

* Importation of gold to Calcutta, Madras, and Bombay—

1860-61	...	...	Rs. 4,50,92,243
1861-62	...	...	" 5,50,22,714
1862-63	...	...	" 6,72,25,794

In the incomplete financial year of 1863-64, viz., till 15th February 1864, the importation of gold to Bombay alone has been Rs. 4,13,46,748. This sum has been imported on private account, and is exclusive of Government remittances.

CHAP. IX. Although his paper scheme was grievously mutilated, an attempt has been made since that date to float a tentative paper currency. That attempt has failed, as already shown, whilst the enormous sum of gold just cited has been absorbed so soon as it appeared, and this fact has taken place notwithstanding that gold is not coined in the British Mints, and is not available as a legal tender in payment of debts and taxes.

What is then the inference?

By every consideration of regard for the people, for their convenience and the economy of their means, we are bound to give an administrative form to the solution of the problem of a gold currency, which, in a rude and barbarous manner, they have, to a certain degree, worked out for themselves.

CHAPTER IX.

Change of values in India.—Disturbing causes of value.—Increased demand for metallic circulation.—Popular instinct has corrected an administrative defect.—It is our duty to follow the lead thus given.

A survey of Indian affairs during the last few years, makes us acquainted with circumstances which have an intimate connection with the subject before us.

Thus it is seen that many causes have tended to accelerate—perhaps it should be said to create—a new development in India.

The throwing open of trade fifty years ago has at length come to have its full effect: the foreign trade which was most insignificant at the commencement of the century, now exceeds a hundred millions sterling. New industries, new commodities have sprung into existence to meet the wants of daily augmenting demands of foreign commerce.

Vast tracts of country which were formerly devoted entirely to the production of cereals, are now alienated to other purposes,—to opium, to cotton, to oilseeds.

Provinces in which corn was not many years ago at a fabulously low price, are now importers of grain. The consequence has been that for several years a steady but certain rise of prices has been observed to be proceeding.

Much more of money has flowed into the country and been distributed throughout its wide area, than could be received and absorbed in former times.

Silver and gold have *alike* become cheaper, as a greater demand for CHAP. IX. other commodities has followed on two causes—the new demands of foreign commerce, and the enlarged power of consumption evinced by the people in consequence of their prosperity.

The latter circumstance is shown by the unfailing test of the salt taxes. The consumption of salt, as proved by the returns of the tax, is steadily rising, the craving for that necessary aliment being the first to be satisfied as a condition of health, as the means of the poor are ameliorated.

It will be understood that a largely increased foreign commerce must add immensely to the amount of domestic production, and therefore to the number of transactions, each in their own way demanding more consumption, more labor, more land, more conveniences, more means of exchange, more money, and an easier adaptation of money to the supply of the new wants.

These facts have all been visible in a very marked manner in India.

Thus great tracts of land are being daily brought into cultivation, which for ages had lain waste. There is no part of the revenue which is more* remunerative, more elastic, or shows a greater tendency to increase, than that proceeding from the land. Notwithstanding that the assessments or rates of rent are much lower than in former days, the actual amounts paid into the Treasury exceed those of the times of high assessments, because of the larger area brought under cultivation, and of the exactness with which the assessment is now paid.

Instead of a population which was too numerous for employment, there is now an active competition on the part of employers of all sorts to attract labor.

One great reason of the rise of prices in all descriptions of food is the greater disposition to consume. The people being richer, actually eat more than they did in their days of poverty.

The rates of wages are rising everywhere, but more especially in the neighbourhood of the sea-coast, where labor is most in demand.

* This remark refers to the Presidencies and Governments into which the Permanent Settlement has not been introduced. In them the Treasury benefits as does an improving landlord whose ultimate returns are augmented by the prosperity of his tenants. Such a result seems to be precluded by the Permanent Settlement, which transfers this advantage to the Zemindar or large landholder in Bengal Proper.

CHAP. IX. The conveniences required by a great activity of domestic commerce have simultaneously made their appearance.

Thus railways, which create so many new industries and employ the population by millions, are becoming a part of the habits of the people, wherever they have as yet pierced. The same may be said of coasting and river steamers.

Hundreds of thousands of carts have within the last twenty years supplanted the pack-bullock and the camel in wide areas, in which formerly such carriage sufficed for the insignificant traffic of the country.

The Public Works Department of Government is striving to meet the demand for improved communications in aid of the railways, and to ease the growing traffic of the country to the best of its ability. Much is being effected—competition for labor both of man and beast being thus added by the Government to the exertions of Railway Companies, and to the energies of other employers.

If we turn to other matters of convenience, we remark that numerous Banks have been established, that the small capitalists are making themselves felt in India as they do in Europe, in the form of "Companies," for carrying out the purposes of trade and manufacture.

It is observed that within the last quarter of a century a system of barter still prevailed in many parts of India.

The country was too poor in some parts, to own the presence of money, to be able to pay for the convenience of it. Now, on the contrary, the rupee has penetrated everywhere, and it is doubtless true, as remarked by His Excellency Sir Bartle Frere, that one of the causes of the increased demand for silver and gold, may be found in the simple fact, that in such lately pauper districts, an entirely new circulation has had to be recently supplied.*

Let us add to this cause another. Let us recollect that countless individuals, who must be reckoned by scores of millions, have respectively come to be the possessors of small portions of reserve wealth, which they either consume, save, or employ in reproduction. We shall then be able to form some idea of the immense, but comparatively new demand for increased means of metallic currency, which cannot be measured by European or American experience.

* See *supra*, Chapter II, Definition of Currency.

What then have we to note? It is simply this: India has within the last generation passed from a state of poverty to one of comparative wealth, this being shown by all those signs which we are accustomed to consider as certain unerring symptoms of prosperity and wealth in the communities of Europe, viz., the cheapening of the precious metals with regard to other commodities, increased power of consumption among the people, the great and still growing demand for new means of metallic circulation, the augmented demand for labor, the development or the creation of the expedients by which in civilised and rich countries it is sought to economise the labor of man and beast in every form.

It is thus seen that what I have more than once alluded to as disturbing causes, in their effect on ancient values in India, have been of late very great. While on the one hand, accidents have tended to slightly raise the value of silver in foreign countries in which exists the legal coin of the Indian Empire; on the other the material development, consequent on an era of peace and prudence and fairly good government, have much more enhanced the value of domestic productions and therefore of the cost of labor in India itself; comparative competency flowing in on countless individuals, and great wealth on very many.

Such facts alone must convince every one that, putting all other reasons on one side, we have in these circumstances an ample cause for great increase in the circulating medium.

The vastly augmented numbers of transactions as compared with former times, the rise of wages throughout the country following on the demand for labor, together with the increased market value of all commodities as shown by selling price, have called for a great addition to the amount of metallic money in circulation and in deposit, for the mere execution of business.

This would be a certain result in any country in a condition of rapid progress, but it is tenfold more so in India, if we take into consideration the habits of the people, which have been adverted to in a preceding Chapter. These habits, it will be remembered, preclude the idea of a paper currency being allowed the fair play which it obtains in more advanced countries.

There is yet another consideration.

CHAP. IX. It is doubtless true that the addition to wealth among the people at large will produce a change of manners at no very distant date. We shall ultimately see commodities imported into India for the satisfaction of luxury and comfort among classes to which such matters have been hitherto unknown. The change of manners has already taken place in Bombay itself, and importations are seen accordingly to meet new wants.

Perhaps the change may be said to be beginning to make itself felt in the provinces, since the great flux of prosperity poured on the merchant and cultivator by the cotton crisis.

If this be so, it can be but a very slender beginning. We must wait for some years before we can expect that the Indian mind generally will undergo a great change. It will not immediately look for value in increased comfort, such as is to be obtained from imported manufactured commodities, to which it is as yet not accustomed. It will still prefer to revel in the possession of a certain quantity of silver and gold, and to be satisfied with such further consumption as is in accordance with the productions of the country and the prevalent notions of enjoyment.

The old craving for the precious metals is as strong as in the days of poverty. This cannot therefore but cause the disappearance from circulation of great masses of metallic capital, the ancient habits of the people thus combining with the new activity of their modern commerce and industry, to stimulate the demand for the metals, to increase the amount of deposits, and therefore to cheapen the value of the metals, to reduce them in price, as compared with other commodities.

This process, half economical and half social, by which values are thus disturbed, has been proceeding in the Bombay Presidency in a very marked manner. Great numbers of the population are afflicted almost to starvation on the one side by the rise in prices, viz., those who live on very small fixed incomes, while the fortunate owners and tenants of the land, and the merchants and shop-keepers on the other, are overwhelmed as it were with the silver and gold which has been heaped on them, and with which as yet they hardly know what to do, beyond amassing it in a glittering heap, turning copper bangles into silver bangles, and silver ornaments into gold ones.

The union of the old social causes with the economical one of material improvement, the two operating towards the same conclusion, which

drags the precious metals from the West to the East, is one of the circumstances of the difficulty the currency of India now encounters, which has the most escaped consideration. CHAP.
IX.

The fact is powerful in showing, that even if silver was adequate to the wants of Indian circulation before the setting in of the late prosperity, it is no longer so. For unless corrected by the determination of the people to have gold as a representative of value, whether or not it be coined into money, the circumstances of improvement would all react in raising the value of silver, and therefore in adding to the burthen of those who have contracted to pay value according to the nominal legal tender of the day; for, as already shown, an addition to the functions of the circulating medium must add to its value as a commodity, because more of it is drawn from the other uses for which it is produced.

The correction of the wants of the currency has been enforced by the practice of the people. It is evident that in the popular estimation, gold is a representative of value equally with silver, and the people are determined that it shall so remain. The popular instinct has been wonderfully true to its own interest. In spite of the legal restriction conveyed in the sole legal tender of silver, the instinct operates largely to do what has been done in France and the United States by means of the double standard.* That is to say, the force of that instinct has generally maintained the former relative value† of gold and silver in India, although with a slight depreciation of the former, by compelling the large importations and the distribution of gold, in spite of the prohibitions to discharge obligations in coins of that metal.

The value of the phenomenon here noted with regard to the question before us is immense, it being evident that‡ *both gold and silver* have been for a long time bought at remunerative prices in Europe for the purpose of exportation to India.

If silver is cheaper in Europe, Australia, and America than it is in India, so is gold; that is to say, the commodities returned on account of the two metals, are more in demand in the other quarters of the globe, than the metals are.

* Vide *Supra*, Chapter V. † Vide Appendix, Tables of Value. ‡ Vide Tables F. G.

CHAP. IX. On the other hand, in India itself, the metals, owing to the abundant importation to the East, are cheap with respect to all other commodities and to the hitherto customary cost of Indian labor. But the cheapness affects *both silver and gold alike*, and the relative value of the two metals has been only slightly affected in India, because, although, gold has been legally demonetised, the instinct and ancient custom have been triumphant in retaining gold as a representative of value, and are causing it to perform some of the most important functions of money.

Can further proof be required of the illusion under which Mr. Wilson must have proffered his advice in 1859, and the Government of India issued its prohibitory orders to receive gold at the Treasuries in 1852?

We are therefore again brought to the point reached in the last Chapter, viz., that on account of the convenience of the people, this resting on new economical grounds as well as the old social ones, we are bound to follow the lead they have given us, to afford an administrative form and sanction to a gold currency.

However strange it may at first sight appear, it is doubtless true, that the popular instinct has saved us from much difficulty in giving practical effect to the necessary arrangements.

Thus knowing as we do that the importation of gold has been of late years proceeding at an accelerated ratio as compared with former times, that consequently immense masses of gold are held in the country, and that the gold so held must proportionally have displaced silver, we cease to fear an alarming depreciation of the value of the latter when it shall be partially and gradually demonetised by the introduction of a gold currency.

It being thus clear that great stores of reserve value are maintained in gold by the practice of the people, we are saved from the dread of committing ourselves to a measure which may in any manner interfere with the national tastes, or invade the national notion of value, with regard to the discharge of obligations in their integrity.

Such reflections are especially important to us, as removing even the faintest idea of want of equity towards the holders of silver, whether they be wealthy capitalists, or the poor who in individual slender savings build up national deposits, as islands of coral are produced in the ocean.

These considerations have a like weight in answer to the objection which has been conjured up, but it is hoped has now been dispelled, with

regard to the fanciful assumption that in the discharge of obligations CHAP. the actual metal of the fortuitous legal tender or current coin must be X. absolutely considered, instead of the value it represents.

We may believe with certainty in consequence, that no change of any importance in the popular consideration of the value of the silver rupees, could ensue on the introduction of a gold currency. Existing stores of silver would be absorbed gradually but certainly in manufacture, and by the universal taste for jewellery among all classes, rich and poor; the only effect being that the importation of silver would diminish, perhaps might almost cease for a time, while an impulse would be given to the importation of gold.

As respects national tastes and desires, we should but revert to a concurrence with the habit of thought, which has been sufficiently powerful to resist the enforcement of the sole legal standard absolutely ordered in 1852, in opposition to the old customs of India, and to the practice of all Governments preceding ours, that practice having been our own till a recent date.

CHAPTER X.

Caution necessary in the mode of Introduction of the Gold Currency.—Transition period of double legal tender.—Token Coinage inadmissible during such period.

It is hoped that much of what has preceded may be borne in mind, in considering how practical effect may be best given to the demand made for the introduction of a gold currency into India.

The social facts of India to which allusion has been made, as well as the illustration afforded by other countries in similar circumstances of change, seem especially worthy of reflection, when we determine what is to be done in the matter before us.

Thus knowing as we do that an immense quantity of silver coins is held in the country, a considerable time must elapse before the masses of silver which are in deposit and in circulation, can make place for gold. This is so on two accounts.

A sufficiency of gold coinage cannot make its appearance *per saltum* in exchange for the silver. Time is required for the mere mechanical operations of the Mint, and when the gold has been coined, for its further distribution through the country. It is evident that, if a hasty

CHAP. order were given to make payment of revenue receivable only in gold,
 X. the gold coins actually in existence would go up to an extravagant price, because more would be demanded than are now probably to be found in the market, whatever the exertions made by the money-changers.

Secondly, it is most desirable on other accounts, that whatever change is made should take place most gradually, according to the demand evinced by the people, as the mode in which it may operate on their interests dawns on them.

We cannot be too careful to avoid the charge which might be justly made, if by a sudden and absolute demonetisation of silver, we were suddenly to reduce its value in the local markets. This consideration has great weight with regard to the amount of silver now in the country. The *gradual* and due absorption of that metal, is demanded by every principle of justice and equity, before gold can be *absolutely* substituted for silver in the currency. Absolute substitution is a very different thing from adding gold money to the present existing silver money.

We must be further careful, as a matter of social policy, not to disturb the popular, existing, and healthy notions with regard to value and exchange. To ensure this, when we present to the people coins of the two metals for general use, instead of one as heretofore, we must not interfere with the reigning idea, that the coins of both metals are valued by the people on account of their intrinsic value, that is to say, of the amount of the metals actually contained in the coins. For some time to come both metals, when in the form of coin, must run their chance as commodities of trade without assistance.

Relative Mint values with regard to certain considerations being fixed between gold and silver, the facts of the ultimate settlement of the particular function of money, will determine themselves according to the laws it has been sought to illustrate.*

In such respects, then, we have but to follow the example which has been set to us by the United States and by France. We are forced to admit the necessity of a transition period of double legal tender, during which gold and silver must be permitted to compete on their own merits. The facts and arguments before stated, are sufficient to determine the ultimate success of the gold.†

* Vide *supra*, Chapter V, on the double standard of value.

† Vide *supra*, Chapter II, on "The economy of Gold as the medium of currency as compared with Silver;" also Chapter IX, on "The demand for a gold currency as declared by the popular instinct of India."

The necessity of a transition period being admitted, we must infer CHAP.
X. that a token coinage could not be issued during such period.

The success of a token coinage is the practical evidence that one metal, gold, has been substituted successfully in currency and deposit for another metal, silver. The power to introduce a token coinage, and to cause it to be adopted generally, is a result of the completeness of the change, which has been effected by the operation of the superiority of gold over silver, for the performance of the functions of currency and deposit in a wealthy country. A token coinage is then the consequence of a perfected antecedent.

To apply a silver token coinage, before the change from silver to gold has been finally effected at large in currency and deposit, would therefore be to apply a result, in anticipation of the causes which may hereafter render a token coinage expedient, but as yet have not come into operation.

Let it further be carefully borne in mind, that a necessity of a token coinage of silver for small transactions, is the sign that silver no longer exists in any quantity in a country. When the necessity of a token coinage is felt, silver is no longer found in deposit to meet the demands of foreign trade, or to represent the reserve value kept in store by a community. The necessity of the token coinage is the indication that the silver in a country does not more than suffice for the purposes of manufacture and jewellery, and that none is left for the discharge of large obligations.

In India we know that the direct contrary is the result of the very measures we have taken of late years, to monopolise the functions of money in silver to the depreciation and expulsion of gold, however much our measures may have been corrected by the popular instinct. Consequently, in India, the cause which necessitates a token coinage does not yet exist.

There is, besides, another reason, which is strongly opposed to the introduction of a token coinage, until it shall have been ascertained by the people to be necessary, because of the disappearance of silver from circulation and deposit, as was shown in the case of the United States in 1853.

The argument against a premature token coinage, and against a hasty forcing forward of a Bank-note circulation, is identical. The

CHAP. X. people of the empire generally are not educated to the point of receiving, either a token coinage or Bank-notes as representatives of value, which intrinsically they do not possess.

The disappearance of silver may ultimately force the people to appreciate the superior convenience and profit to themselves; as afforded by a token coinage in the place of full-weight silver rupees and full-weight fractional parts of a rupee.

Till the cause has taken place, viz., the disappearance of silver from circulation and deposit, we can well afford to wait.

For in truth the primary use of a token coinage is to atone as a matter of convenience for the absence of silver. The secondary and equally important use of a token coinage, is to fix the metallic currency, and to protect it from the chance of further fluctuation, when the substitution of gold for silver has been finally carried out.

I think, therefore, we may assume that on the introduction of a gold currency, a period of double legal tender must be undergone, while the substitution of gold for silver is gradually taking place in the currency and deposits of India.

Secondly, so long as the double legal tender or period of transition lasts, a token coinage would be inconsistent and indeed impossible in such a condition of things.

Thirdly, that so soon as in the course of years the substitution of gold for silver in currency and deposits has been effected, it will be possible and in all probability prudent, to introduce a token coinage.

With respect to the latter conclusion, we must not hope that the rapidity of the process of substitution, which was perceived in the United States, will be seen in India.

It is not improbable that what four years could do in the former, may require the period of a generation in the latter. This, however, is but another argument for doing nothing hastily, and against urging any measure which might attempt to force the natural growth of opinion and appreciation.

CHAPTER XI.

CHAP.
XI.

CONCLUSION.

The Denomination of the Rupee to be retained as a matter of course.—How Sovereigns may be used.—The equivalent of Gold and Silver declared in Act XVII of 1835 may be maintained.—Legal tender of Gold in addition to that of Silver should be created on such a basis.

It will, I presume, be conceded, that whatever we may do in the matter of introducing a gold currency, we must retain the denomination of value in which all obligations have hitherto been contracted.

As the franc has been preserved in France, and the dollar in the United States, the gold value of both alike having been gradually substituted in currency and deposit for the old silver value, so must the rupee continue to assert its ancient position in India, whether its value be represented in gold or silver.

It is expedient that gold coins, struck for the purpose of domestic exchange, should be multiples of the rupee as laid down in the Act of 1835.

It is not to be expected that any foreign coin, which has been called into existence with regard to another basis of calculation, can be an exact multiple of the rupee.

In an accidental state of the money market, amidst the fluctuations of exchange, circumstances might occur for a single day, to render the foreign gold coin such an exact multiple for a moment in the market prices.

The price would be abnormal.

To adopt the *foreign* gold coin into a *native* circulation on such terms, to declare that it shall be the permanent multiple of the silver native coin, because on one particular day it happened accidentally to be so, would be to give permanence to an abnormal circumstance, and in all probability to attempt to fix a scale of relative values of the metals, which is not borne out by the facts of general *domestic* exchange.

Thus the idea has been entertained, that it would be very convenient to use the introduction of a gold currency into India in such a manner, to establish the sovereign in India as it is in England and Australia, to seize on a particular time when amid the fluctuations of exchange, the sovereign should represent the exact value of 10 rupees,

CHAP. XI. and then from henceforth to declare (such value having been momentarily obtained), it should so remain permanently, it being received as legal tender in payment of debts and taxes.

But it is clear that if the sovereign is generally worth more or less than 10 rupees, the due estimation will be taken of the fact in foreign markets, irrespectively of the considerations which might influence an Indian Government in making such a regulation. If the sovereign was worth more than 10 rupees according to average, it would be exchanged to India for a greater value than that of the 10 rupees, and *vice versa*. In the former case, so far as the function of money is concerned, silver would be paid for taxes and debts, and the sovereign would be retained in deposit or disposed of, as being more valuable than the legal tender the sovereign represents.

In the opposite case, if the sovereign in foreign markets was of less worth and could be imported for less than 10 rupees, all taxes would be paid in it, and silver would be sold at a profit, Government being the loser.

There seems to be only one mode of using the sovereign in India in circulation, that being to permit it to be offered in payment, according to the value it bears relatively to the Indian gold coin legally established as the multiple of the rupee, one per cent. being allowed for Mint charges,* to put it on the same footing as gold coined in India.

Thus the British Indian gold mohur being held by the Act of 1835 to be equal to 15 rupees, gives a value of 5s. 2½d. to the ounce of silver + 0½d., which may be considered the difference of Mint charge between gold and silver.

This being so, if the value of the sovereign† be calculated on a similar basis, its worth must be taken Rs. 10-4-4, its intrinsic value at

* The Bombay Mint charges are as follows :—

One per cent. on gold, two per cent. on silver; this is called Seignorage. There is besides a premelting charge of one per mille on silver, and 25 per mille on gold. Colonel Ballard remarks that "the difference of charge should be maintained. Gold is cheaper to coin than silver, and therefore entitled to the advantage."

† In estimating the relative value of sovereigns and Indian coins, for the purpose of circulating the former, it is clearly indispensable to burthen sovereigns with the Mint charge, to which the domestic coinage is necessarily exposed.

5s. 2½d. being Rs. 10-6-1,* the difference between the two sums being that which would represent the Mint charges, if the sovereigns were coined in India instead of being imported. CHAP. XI.

Consequently, if it be determined to effect a large coinage of British 15-rupee gold pieces or gold mohurs, and to accept them as legal tender for such value, there would seem to be no objection to permit the sovereign to be also legally tendered at a uniform rate of about Rs. 10-4-0.†

A convenience to the local Mints might be afforded by such a rule, and an important advantage would be gained for the trading community generally, by the fact that gold specie coming from England and Australia, would thus be enabled to take its place in circulation immediately after it was landed.

It is well known that the public is in time of money pressure greatly incommoded by the want of coined money, when the vaults of the Mints are crammed with bullion, which it cannot work off into coin under two or three months. This happened in November of 1863, and is again the case now in March of 1864.

Surprise has sometimes been expressed at the fact, that even while gold was receivable at the Treasuries in payment of taxes, so little was ever offered by the people in former times.

The reason of this may perhaps be stated to be the same as that which drove gold away from France‡, between the years 1801 and 1850.

The value of gold was really considerably greater in the Indian market than it was rated by law in the Act of 1835.

Thus Colonel Ballard, the Master of the Bombay Mint, estimates that the value given to silver by that Act, after deducting the Mint charges on coining, is 5s. 2½d. the ounce.

* Intrinsic value of the sovereign in silver rupees, when silver is worth—

Rupees.		Sovereign.		
s.	d.	Rs.	A.	P.
4s. 11d per ounce	= 1 9·92	= 10	15	2·18
5s. 0d. do.	= 1 10·29	= 10	12	3·29
5s. 1d. do.	= 1 10·66	= 10	9	5·53
5s. 1½d. do.	= 1 10·84½	= 10	8	1·07
5s. 2d. do.	= 1 11·03	= 10	6	8·86
5s. 2½d. do.	= 1 11·12	= 10	6	1·07

† Vide Table A in Appendix, which shows that this rate gives approximately the price which has ruled for several years.

‡ See Chapter V.

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XI.

But as we have seen, Mr. Wilson estimated the value of silver, and doubtless with correctness, to have been about 4s. 11d. prior to the gold discoveries. At this price the sovereign is worth very nearly 11 rupees, the British gold mohur struck to represent 15 rupees, being on such terms worth more than 16 rupees. Consequently the Indian Act of 1835 declared silver to be worth 3½d. per oz. more than it really was, as interpreted in the price of gold by the public.

This being so, it is evident that, so far as the payment of taxes was concerned, it was absolutely contrary to the interest of the tax-payer to pay in gold, and he accordingly did not do so. Gold remained a commodity of trade in the British Provinces, and was very rarely offered at the Mints for coinage. The Native Mints, on the other hand, have, it is said, continued to be comparatively active in turning off gold coins, which have always been in high estimation, as an irregular vehicle of value among the subjects of British India.

Circumstances have however combined to establish the price of silver at about 5s. 2d. At this present date it is indeed higher, it having reached 5s. 2½d., or closely to the price indicated by the Act of 1835, with respect to the value of the British gold mohur of 15 rupees after allowing for Mint charges.

The causes which have been alluded to, viz., the demonetisation of gold in India under the orders of the British Government, and the importation of gold which has taken place notwithstanding that demonetisation, combined with the favorable balance of trade, seem thus to have generally corrected the original error of official calculation with respect to the relative values of gold and silver, just as the discovery of the gold mines and the imprudent conduct of other Governments, had corrected a similar official error of calculation in France.

That is to say, the rupee has come to have nearly the value in gold, which was formerly but erroneously attributed to it.

This being so, we are perhaps relieved from a very difficult and responsible duty. We are saved from entering into a calculation, with an intention of readjusting the legal equivalents of gold and silver in India.

It appears that we may simply take the basis* laid down in the Act of 1835 as we find it, and leave it entirely undisturbed, so far as this very important part of the question of introducing the legal tender is concerned.

* This seems to be accepted in the proviso to 3rd para. of Clause IX of the Act XIX of 1861 for issue of Bank-notes in India.

It may perhaps be urged, that the price of silver is now exceptionally high, and that it cannot last, and therefore that it will be found still to exclude gold as it was excluded formerly by the same cause. CHAP. XI.

There would certainly be some force in the objection, the difficulty being not so much the decreased value of gold, as feared by Mr. Wilson, but the value it maintains in India, on account of the estimation in which it is held by the people. The price of the sovereign,* is at this date of writing Rs. 10-6-0 in the Bombay market, which indicates 5s. 2½d. the ounce of silver very closely.

The circumstance of price as just stated is not altogether undesirable, as it leaves a certain slight margin for the cheapening of gold which may possibly take place through the ultimate opening of direct trade with Australia. Such trade, as observed in the Memorial of the Bombay Chamber of Commerce, will cause gold to come straight to India, instead of making the round by Europe, either there to be exchanged for silver, the latter being bought for exportation to the East, or gold itself coming to the East with the burthen of all the charges consequent on a voyage round the entire globe.

I think, therefore, that we may consider that the values about declared in the practice of recent years will be maintained, and that the superior convenience of a gold currency over a silver one will be sufficient to overcome any small difference which may remain.

If after the lapse of a few years, practice should declare that the relative values of gold and silver asserted in Act XVII of 1835, remains nevertheless more favorable to silver than may be sanctioned by average market prices, gold being thereby forced out of circulation, it would then be for the administration of the day seriously to entertain the question of readjusting the legal equivalents.

In the mean time, the values† asserted by the Act, being removed but slightly from the actual selling prices of the two metals at the

* Owing to certain reasons connected with exchanges, into which it is not now necessary to enter, this price is liable to oscillate, being now greater and now less. The tendency of gold of late years has been to rise in value as compared with the prices of 1857-58. See Appendices A, D, E, and F.

† Lieutenant Colonel Ballard, of the Bombay Mint, has favored me with the following note:—

“By the Act of 1835, the value given to silver, taking the intrinsic value of these coins (those stated in the Act) is about 5s. 2½d. Allowing one per cent. for the extra cost of coining silver, it would give about 5s. 2¼d., so at the present rate it would not be a bad basis.”

CHAP. ports of importation, if allowance be made for Mint charges, we can
 XL hardly do better than rely on the basis afforded by that Act for the present introduction of a gold currency. The advantage of this, as avoiding the semblance of arbitrary administrative change is great in every way, but more especially with regard to Mr. Wilson's breach of faith argument, which, however fallacious, will be sure not to be without some adherents, if we cannot quote an ancient unrepealed law and precedent, in favor of any scheme we may desire to carry into effect, for the introduction of a gold currency.

I would propose, therefore, that the legal tender of gold should be enacted on the basis of equivalents submitted by Act XVII of 1835.

That the gold legal tender should not for the present be in substitution of the silver tender, but in aid of it.

That, in accordance with the above, sovereigns should be allowed to run and to be legal tender at their relative value, including seignorage charge, on the basis of the equivalent established by the Act XVII of 1835, viz., at Rs. 10-4-0. That the issue of notes should take place in exchange for gold and silver bullion alike, without any administrative distinction between the two metals.

That the Mints in India should be directed to coin gold in the coins described in Act XVII of 1835 in large quantities, and to invite the public to offer it for the purpose.

It is said in some quarters, and in all probability correctly, that at present Indian gold coins obtain an artificial value in the inland bazars, because of their rarity,—this reacting on the price of the coins at the Presidency. If this be so, we have another reason for throwing a large quantity of gold coins on the country. It is probable that the public do not appreciate the fact, that no prohibition exists against a gold coinage in the Mints; such a notion of prohibition is not unlikely to result from long disuse on the part of the public, following, it may be presumed, on the action of the Indian Government with regard to gold. None of it has of late years been offered for coinage out of Calcutta.

W. R. MANSFIELD.

APPENDIX.

NOTE.

I append a series of Returns showing the relative values of gold and silver in India for several years, as also the fluctuations which have taken place in the price of silver in England.

For these Returns I am greatly indebted to my friend Mr. Walter Cassels, to whose initiative and distinguished ability the movement for the introduction of a gold currency into India is due.

I trust that these Returns may be held to give authority to what has been adduced in the foregoing argument.

A.
Average price of the Sovereign in Bombay.

YEARS.	Jan.	Feb.	March.	April.	May.	June.	July.	August.	Sept.	Oct.	Nov.	Dec.	AVERAGE.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1857 ..	10 1 0	10 1 6	10 2 0	10 3 0	10 0 3	10 1 6	10 1 9	10 3 6	10 3 3	10 3 3	10 2 6	10 1 6	10 2 7
1858 ..	10 6 6	10 4 4	10 5 0	10 7 0	10 0 0	10 1 6	10 2 6	10 3 6	10 2 6	10 1 6	10 3 3	10 4 6	10 2 2
1859 ..	10 3 3	10 1 9	10 1 6	10 3 9	10 5 2	10 5 6	10 6 3	10 7 6	10 9 9	10 7 9	10 6 3	10 4 9	10 5 3
1860 ..	10 5 9	10 4 4	10 4 3	10 6 10	10 4 9	10 4 9	10 4 9	10 5 3	10 5 3	10 5 3	10 5 3	10 4 0	10 4 9
1861 ..	10 4 0	10 4 0	10 5 3	10 5 5	10 6 6	10 5 3	10 4 9	10 4 9	10 5 3	10 5 3	10 5 3	10 4 6	10 5 0
1862 ..	10 4 0	10 4 0	10 5 3	10 5 5	10 6 6	10 5 3	10 4 9	10 4 9	10 5 3	10 5 3	10 5 3	10 4 6	10 5 0
1863 ..	10 4 0	10 4 0	10 5 3	10 5 5	10 6 6	10 5 3	10 4 9	10 4 9	10 5 3	10 5 3	10 5 3	10 4 6	10 5 0

B.
Average price of Bar Silver in the Bombay Market.
For 100 Toles.

YEARS.	Jan.	Feb.	March.	April.	May.	June.	July.	August.	Sept.	Oct.	Nov.	Dec.	AVERAGE.
	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A. P.
1858 ..	104 9	105 9	105 0	105 0	104 10	104 4	104 4	104 4	104 4	104 4	105 4	106 4	104 13 8
1859 ..	105 14	104 12	104 14	104 12	103 10	104 8	105 5	105 0	105 8	106 0	106 3	106 6	105 8 6
1860 ..	106 3	106 1	106 2	106 5	106 7	106 10	107 8	107 12	108 8	108 10	107 8	106 12	107 0 6
1861 ..	106 2	105 6	105 6	106 8	106 2	106 5	106 12	107 2	108 14	106 3	105 14	105 14	107 3 4
1862 ..	106 0	106 2	106 6	106 6	106 5	106 12	106 12	106 10	106 10	106 6	106 5	106 2	106 6 6
1863 ..	106 8	106 2	106 3	106 5	106 10	106 14	107 1	106 11	106 8	106 2	105 10	105 5	106 5 3

C.
Average price of Bar Silver in England.
Per ounce Standard.

YEARS.	Jan.	Feb.	March.	April.	May.	June.	July.	August.	Sept.	Oct.	Nov.	Dec.	AVERAGE.
1856	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½
1857	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½	s. 5 2 d. 1½
1858	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½
1859	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½
1860	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½	s. 5 2½ d. 1½
1861	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½
1862	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½
1863	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½	s. 5 1½ d. 1½

D.
Average price of Gold Bars (98 touch) in Bombay.

YEARS.	Jan.	Feb.	March.	April.	May.	June.	July.	August.	Sept.	Oct.	Nov.	Dec.	AVERAGE.
1858	Rs. A. 15 11 P. 16 6	Rs. A. 15 14 P. 16 4	Rs. A. 16 0 P. 16 6	Rs. A. 16 0 P. 16 4	Rs. A. 15 12 P. 16 3	Rs. A. 15 11 P. 16 9	Rs. A. 15 10 P. 16 10	Rs. A. 15 5 P. 16 11	Rs. A. 15 14 P. 16 12	Rs. A. 16 0 P. 16 12	Rs. A. 16 6 P. 16 8	Rs. A. 16 8 P. 16 10	Rs. A. 15 14 P. 16 8
1859	Rs. A. 16 8 P. 16 0	Rs. A. 16 5 P. 16 2	Rs. A. 16 3 P. 16 2	Rs. A. 16 4 P. 16 2	Rs. A. 16 7 P. 16 3	Rs. A. 16 9 P. 16 2	Rs. A. 16 10 P. 16 2	Rs. A. 16 11 P. 16 2	Rs. A. 16 12 P. 16 2	Rs. A. 16 8 P. 16 2	Rs. A. 16 4 P. 16 2	Rs. A. 16 2 P. 16 2	Rs. A. 16 8 P. 16 2
1860	Rs. A. 16 1 P. 16 0	Rs. A. 16 1 P. 16 1	Rs. A. 16 2 P. 16 2	Rs. A. 16 2 P. 16 4	Rs. A. 16 3 P. 16 5	Rs. A. 16 2 P. 16 5	Rs. A. 16 2 P. 16 5	Rs. A. 16 2 P. 16 5	Rs. A. 16 2 P. 16 6	Rs. A. 16 3 P. 16 6	Rs. A. 16 2 P. 16 6	Rs. A. 16 2 P. 16 6	Rs. A. 16 2 P. 16 6
1861	Rs. A. 16 0 P. 16 0	Rs. A. 16 1 P. 16 1	Rs. A. 16 2 P. 16 2	Rs. A. 16 3 P. 16 3	Rs. A. 16 5 P. 16 7	Rs. A. 16 6 P. 16 6	Rs. A. 16 5 P. 16 5	Rs. A. 16 6 P. 16 6	Rs. A. 16 6 P. 16 6	Rs. A. 16 4 P. 16 4	Rs. A. 16 2 P. 16 2	Rs. A. 16 2 P. 16 2	Rs. A. 16 0 P. 16 0
1862	Rs. A. 16 0 P. 16 0	Rs. A. 16 1 P. 16 1	Rs. A. 16 2 P. 16 2	Rs. A. 16 3 P. 16 3	Rs. A. 16 5 P. 16 7	Rs. A. 16 6 P. 16 6	Rs. A. 16 5 P. 16 5	Rs. A. 16 6 P. 16 6	Rs. A. 16 6 P. 16 6	Rs. A. 16 4 P. 16 4	Rs. A. 16 2 P. 16 2	Rs. A. 16 2 P. 16 2	Rs. A. 16 0 P. 16 0
1863	Rs. A. 16 0 P. 16 0	Rs. A. 16 1 P. 16 1	Rs. A. 16 2 P. 16 2	Rs. A. 16 3 P. 16 3	Rs. A. 16 5 P. 16 7	Rs. A. 16 6 P. 16 6	Rs. A. 16 5 P. 16 5	Rs. A. 16 6 P. 16 6	Rs. A. 16 6 P. 16 6	Rs. A. 16 4 P. 16 4	Rs. A. 16 2 P. 16 2	Rs. A. 16 2 P. 16 2	Rs. A. 16 0 P. 16 0

E.

Quotations of Gold Leaf only;—Fluctuations noted in this List.

Date.	China Gold Leaf, 100 touch.		Date.	China Gold Leaf, 100 touch.	
		Rs. A. P.			Rs. A. P.
1858.			1860.		
Dec. 6	China Gold Leaf	16 12 0	Jan. 30	China Gold Leaf	16 8 0
" 8	Do. ...	16 9 0	Feb. 2	Do. ...	16 4 0
" 14	Do. ...	16 8 0	" 8	Do. ...	16 5 0
" 18	Do. ...	16 10 0	" 10	Do. Nominal	16 0 0
" 24	Do. ...	16 9 0	" 11	Do. do.	16 4 0
" 28	Do. ...	16 11 0	" 20	Do. ...	16 2 0
" 31	Do. ...	16 12 0	" 29	Do. ...	16 10 0
1859.			March 9	Do. ...	16 9 0
Jan. 14	Do. ...	16 10 0	" 19	Do. ...	16 10 0
" 20	Do. ...	16 9 0	" 31	Do. ...	16 10 6
" 26	Do. ...	16 11 0	April 4	Do. ...	16 9 0
" 29	Do. ...	16 10 0	" 11	Do. ...	16 8 0
Feb. 4	Do. ...	16 9 0	" 16	Do. ...	16 9 0
" 8	Do. ...	16 10 0	" 18	Do. ...	16 8 0
" 11	Do. ...	16 9 0	" 21	Do. ...	16 9 6
" 15	Do. ...	16 10 0	" 24	Do. ...	16 11 0
" 18	Do. ...	16 9 0	" 30	Do. ...	16 12 0
" 28	Do. ...	16 10 0	May 9	Do. ...	16 15 0
" 28	Do. ...	16 10 0	" 24	Do. ...	16 13 0
May 10	Do. ...	16 2 0	" 26	Do. ...	16 14 0
" 23	Do. ...	16 9 0	June 2	Do. ...	16 15 0
July 16	Do. ...	16 15 0	" 5	Do. ...	16 14 0
" 26	Do. ...	17 0 0	" 11	Do. ...	16 15 0
" 30	Do. ...	16 15 0	" 14	Do. ...	16 14 0
August 3	Do. ...	16 14 0	" 18	Do. ...	17 0 0
" 15	Do. ...	16 15 0	" 25	Do. ...	16 15 0
" 20	Do. ...	17 0 0	" 30	Do. Nominal	17 0 0
" 30	Do. ...	17 2 0	July 5	Do. ...	17 1 0
Sept. 5	Do. ...	17 4 0	" 12	Do. ...	17 0 0
" 9	Do. ...	17 3 0	" 27	Do. ...	17 1 0
" 30	Do. ...	17 4 0	August 18	Do. ...	17 3 0
Oct. 4	Do. ...	17 3 0	" 25	Do. ...	17 4 0
" 14	Do. ...	17 2 0	Sept. 26	Do. ...	17 2 0
" 17	Do. ...	17 1 0	" 29	Do. ...	17 1 0
" 26	Do. ...	17 0 0	Oct. 5	Do. ...	16 15 0
Nov. 5	Do. ...	16 12 0	" 20	Do. ...	16 14 0
" 11	Do. ...	16 11 0	" 26	Do. ...	16 11 0
" 23	Do. ...	16 13 0	Nov. 2	Do. ...	16 11 6
" 29	Do. ...	16 12 0	" 5	Do. ...	16 11 0
Dec. 5	Do. ...	16 15 0	" 7	Do. ...	16 10 0
" 9	Do. ...	16 14 0	" 30	Do. ...	16 9 0
" 10	Do. ...	16 15 0	Dec. 8	Do. ...	16 8 0
" 12	Do. ...	16 14 0	" 13	Do. ...	16 9 0
" 27	Do. ...	16 15 0	" 18	Do. ...	16 11 0
1860.			" 27	Do. ...	16 12 0
Jan. 9	Do. ...	16 14 0	1861.		
" 13	Do. ...	16 12 0	Jan. 4	Do. ...	16 13 0
" 23	Do. ...	16 7 0			

E.—continued.

Quotations of Gold Leaf only ;—Fluctuations noted in this List.

Date.	China Gold Leaf, 100 touch.		Date.	China Gold Leaf, 100 touch.	
		Rs. A. P.			Rs. A. P.
1861.	China Gold Leaf	16 10 0	1862.	China Gold Leaf	15 13 0
Jan. 8	Do. ...	16 8 0	March 26	Do. ...	16 0 0
" 14	Do. ...	16 4 0	April 15	Do. ...	16 3 0
" 23	Do. ...	16 8 0	" 27	Do. ...	16 2 0
" 31	Do. ...	16 10 0	" 29	Do. ...	16 3 0
Feb. 8	Do. ...	16 9 0	May 2	Do. ...	16 5 0
" 12	Do. ...	16 12 0	" 21	Do. ...	16 6 0
" 19	Do. ...	16 10 0	" 29	Do. ...	16 7 0
" 25	Do. ...	16 7 0	June 2	Do. ...	16 8 0
March 8	Do. ...	16 8 6	July 12	Do. ...	16 6 0
" 12	Do. ...	16 7 0	" 26	Do. ...	16 9 0
" 21	Do. ...	16 8 0	August 12	Do. ...	16 8 0
" 27	Do. ...	16 7 0	Sept. 12	Do. ...	16 10 0
April 18	Do. ...	16 6 0	" 30	Do. ...	16 12 0
" 20	Do. ...	16 7 0	Oct 16	Do. ...	16 11 0
" 25	Do. ...	16 8 0	" 31	Do. ...	16 9 0
May 1	Do. ...	16 9 0	Nov. 8	Do. ...	16 5 0
" 7	Do. ...	16 10 0	" 21	Do. ...	16 6 0
" 11	Do. ...	16 12 0	" 25	Do. ...	16 5 0
" 20	Do. ...	16 10 0	Dec. 8	Do. ...	16 5 0
" 27	Do. ...	16 12 0	" 17	Do. ...	16 6 0
June 4	Do. ...	16 11 6	" 23	Do. ...	16 4 0
" 11	Do. ...	16 9 0	1863.		
" 19	Do. ...	16 10 0	Feb. 6	Do. ...	16 7 0
" 28	Do. ...	16 10 0	" 27	Do. ...	16 8 0
July 2	Do. ...	16 12 0	March 27	Do. ...	16 9 0
" 8	Do. ...	16 11 0	April 8	Do. ...	16 12 0
Aug. 5	Do. ...	16 9 0	" 10	Do. ...	17 0 0
Sept. 5	Do. ...	16 7 0	" 20	Do. ...	17 2 0
" 13	Do. ...	16 6 0	" 27	Do. ...	16 14 0
" 17	Do. ...	16 4 0	May 7	Do. ...	16 12 0
Oct. 3	Do. ...	15 14 0	" 8	Do. ...	16 13 0
" 9	Do. ...	16 2 0	" 12	Do. ...	16 14 0
" 18	Do. ...	16 1 0	June 6	Do. ...	16 12 0
" 23	Do. ...	15 15 0	" 8	Do. ...	16 13 0
" 29	Do. ...	16 0 0	" 16	Do. ...	16 14 0
Nov. 6	Do. ...	16 0 0	July 30	Do. ...	16 12 0
" 14	Do. ...	16 0 0	August 17	Do. ...	16 10 0
" 27	Do. ...	16 0 0	" 27	Do. ...	16 8 0
Dec. 16	Do. ...	16 0 0	Sept. 10	Do. ...	16 6 0
" 30	Do. ...	16 0 0	" 21	Do. ...	16 4 0
1862.			Oct. 2	Do. ...	16 3 0
Jan. 2	Do. ...	15 14 0	" 5	Do. ...	16 2 0
" 10	Do. ...	15 13 6	" 31	Do. ...	16 1 0
" 17	Do. ...	15 13 0	Nov. 4	Do. ...	16 0 0
" 28	Do. ...	15 13 0	" 13	Do. ...	16 0 0
Feb. 13	Do. ...	15 14 0	Dec. 21	Do. ...	16 0 0
" 20	Do. ...	15 15 0	1864.		
March 3	Do. ...	15 14 0	Feb. 8	Do. ...	16 4 0

G.

The price of Bar Silver per ounce Standard in London.

* YEARS.	Jan.	Feb.	March.	April.	May.	June.	July.	August.	Sept.	Oct.	Nov.	Dec.	AVERAGE.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1853	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{7}{8}$	5 1 $\frac{7}{8}$	5 1 $\frac{3}{4}$	5 2 $\frac{1}{4}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$
1854	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{7}{8}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$
1855	5 1 $\frac{1}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{4}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$
1856	5 1 $\frac{1}{4}$	5 1 $\frac{1}{2}$	5 1	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 2	5 2 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$
1857	5 1 $\frac{3}{4}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{8}$	5 1 $\frac{7}{8}$	5 1 $\frac{1}{2}$	5 2	5 1 $\frac{1}{2}$	5 1 $\frac{7}{8}$	5 1 $\frac{1}{4}$	5 2 $\frac{1}{4}$	5 1 $\frac{3}{4}$
1858	5 1 $\frac{1}{2}$	5 1 $\frac{5}{8}$	5 1 $\frac{7}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 0 $\frac{3}{4}$	5 0 $\frac{3}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$
1859	5 1 $\frac{7}{8}$	5 1 $\frac{3}{4}$	5 1 $\frac{3}{4}$	5 2 $\frac{1}{4}$	5 2 $\frac{1}{4}$	5 2	5 2	5 1 $\frac{7}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{7}{8}$	5 2	5 1 $\frac{7}{8}$	5 1 $\frac{7}{8}$
1860	5 2 $\frac{1}{2}$	5 2 $\frac{1}{2}$	5 2 $\frac{1}{2}$	5 1 $\frac{3}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{3}{8}$
1861	5 1 $\frac{1}{4}$	5 1	5 1	5 1	5 1 $\frac{1}{2}$	5 0 $\frac{3}{8}$	5 0 $\frac{1}{2}$	5 0 $\frac{1}{4}$	5 0 $\frac{1}{4}$	5 0 $\frac{1}{4}$	5 0 $\frac{7}{8}$	5 1 $\frac{3}{8}$	5 0 $\frac{7}{8}$
1862	5 1 $\frac{1}{2}$	5 1 $\frac{5}{8}$	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 0 $\frac{7}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$	5 2	5 1 $\frac{1}{2}$	5 1 $\frac{3}{8}$
1863	5 1 $\frac{3}{8}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	5 1	5 1 $\frac{1}{4}$	5 1 $\frac{1}{2}$	5 1 $\frac{1}{2}$	....	....	....	....	....	5 1 $\frac{3}{8}$

TO THE RIGHT HON'BLE SIR JOHN LAWRENCE, G. C. B., &c., *Viceroy and Governor General of India in Council.*

The Respectful Memorial of the Madras
Chamber of Commerce

SHEWETH—That the greatly extended and extending trade of India renders it most desirable the currency should be enlarged to meet the growing wants of the country.

That a paper currency, from its economy and facility of transmission, is suitable to a country advancing in civilization, in which the operations of trade are yearly increasing, and that in your Memorialists' opinion India is prepared for such a currency on a widely extended scale.

That the existing paper system has not realized the benefits which were anticipated on its introduction, owing, as far as this Presidency is concerned, to the Presidency district being the only circle of issue, and no effectual measures having been taken to facilitate the convertibility of notes at the Mofussil Treasuries. The circulation has in consequence been of a very restricted character and of very limited advantage.

That a well-regulated paper currency in the convertibility of which the people felt full confidence, would be generally acceptable to all classes, of incalculable advantage in the transactions of commerce, and a source of profit to the State.

That whatever measures may be adopted, it is submitted, the end to be kept in view should be the ultimate circulation of notes as a legal tender throughout each Presidency, by which alone can the full benefits of a paper issue be obtained; there are doubtless difficulties in the way of the present adoption of such a general measure. Your Memorialists, however, are of opinion that the immediate creation of circles of issue throughout the country should take place, and the Mofussil Treasury Balances be made, as far as possible, available for the conversion of notes.

That the acceptance of notes in payment of Government dues everywhere should be at once authorized.

That the comparatively low wages of labor in India and consequent multitude of small payments, render it desirable the lowest denomination of note should be reduced to Rs. 5. It is believed such notes would speedily come into very general use and extensive circulation.

That while the Chamber is of opinion that the extension of the paper issue is of primary importance in the consideration of the question of an improved currency system, it is also of opinion that the introduction of gold as a circulating medium would be of material advantage.

The greater convenience of gold as a coinage compared with silver from its portability, and facility of transmission from place to place, is obvious, and although, from the comparatively small means of the mass of the people of this country, silver must continue to form an important part of the circulation, it is believed a gold currency if introduced would rapidly come into general use. A convenient sub-division of whatever gold coin might be adopted into halves and quarters for the purposes of small payments would be necessary.

The fact that at the present time a large quantity of gold yearly finds its way to India leads to the belief that a coinage of that metal would be generally acceptable.

That the imports of silver into India have of late years been constantly increasing while grave doubts have been entertained whether the production of that metal corresponds to the increasing demand; on the other hand there is reason to believe the production of gold will continue to be sufficient for the wants of the world, and it is therefore desirable India should not be excluded from the use of it as a currency.

That while your Memorialists believe the financial embarrassments through which India has been passing have arisen from a sudden and unlooked for expansion of trade, and could not have been averted or prevented by any currency system, they are nevertheless of opinion that the severity of the crisis would have been to some extent mitigated, and its duration shortened, had gold been in use.

Your Memorialists having thus briefly and generally stated their reasons for believing the present currency might with benefit to the country be amended, respectfully, but urgently, solicit your Excellency in Council to give this important subject your earnest consideration, with a view to the adoption of measures for the early enlargement of the paper issue and the introduction of a gold currency.

By order of the Madras Chamber of Commerce,

A. J. BYARD,

Chairman.

Madras, 30th April 1864.

146 MEMORIAL OF THE MADRAS CHAMBER OF COMMERCE.

From E. H. LUSHINGTON, ESQ., Secy. to Govt. of India, Finl. Dept., to the Chamber of Commerce, Madras,—No. 474, dated 28th May 1864.

I am directed to acknowledge the receipt of your Memorial recommending the extension of the Government note currency, and the introduction of a gold currency, and in reply to state that the subject is under the consideration of the Government.

MINUTE BY THE HON'BLE SIR C. E. TREVELYAN,

Simla, 20th June 1864.

The Chambers of Commerce of Calcutta, Madras, and Bombay
Chambers of Commerce and Native Associations of Calcutta and Bombay. have memorialised the Government of India for a gold currency.

The application of the Chamber of Commerce of Calcutta is for the appointment of a Committee to inquire into the best mode of introducing gold as an auxiliary currency. They are "strongly in favor of the introduction of gold as an auxiliary currency, and as a tentative measure which they believe will gradually, but surely, lead to the adoption of gold as the general metallic currency of this country, with silver as the auxiliary; but they are opposed to any sudden change being attempted, fearing that any such attempt would prove unsuccessful, and be likely to cause great derangement in the commerce and finance of India, and probably also in the money markets of Europe, if a large quantity of gold were suddenly required to carry out such a change."

The Madras Memorial prays for the extension of the Government paper currency, and the introduction of a gold currency. The Chamber observe that "the comparatively low wages of labor in India, and consequent multitude of small payments, render it desirable that the lowest denomination of note should be reduced to five rupees," and that "a convenient sub-division of whatever gold coin might be adopted into halves and quarters, for the purpose of small payments, would be necessary."

The Memorial of the Bombay Chamber contains an able summary of the reasons for introducing a gold currency, and concludes with earnestly intreating the Government "to take this important question at once into serious consideration and to effect an amendment which is so loudly called for, by introducing a well-regulated gold currency into India."

There is also a Memorial from the Bombay Association, which represents the Native mercantile community. This sets forth that, from time immemorial, India possessed an extensive gold currency; that the

stringent regulations of the British Government have virtually extinguished this currency, but have by no means extinguished its popularity; that rude attempts are made by some of the Natives of India to remedy the defects of the present inconvenient silver currency by circulating gold bars authenticated by the stamp of Bombay Banks; and, after a general statement of reasons, the Memorialists pray that the Government "will take this question into immediate consideration and restore a gold currency, which the altered circumstances of the world recommend, and which your Memorialists believe would be most popularly received in India, both from ancient associations and present convenience."

The Native merchants and bankers of Calcutta had previously, in May 1859, memorialised the Government of India for a gold currency, stating that the Natives of India preferred gold to silver on account of its portability, and the facility which it affords for holding large sums in security. The feeling of the Native merchants and bankers of Upper

Appendix No. 1, page 185.

India may be seen from the papers in the Appendix.

The Government of Bombay.

Minutes have also been recorded by the members of the Government of Bombay.

The Governor proposes that we should, in the first place, act on the proviso in the last clause of the 9th Section of Act XIX of 1861, which allows gold bullion or coin to be held to the extent of one-fourth of that on which notes are issued; and he suggests that the next step will probably be to permit the Government revenue above 10 rupees to be paid in sovereigns. He adds that "it will probably be necessary that we should pass through the inconvenient and anomalous stage of a double or alternative standard."

Mr. Frere agrees with the Governor, but Mr. Inverarity thinks the measure proposed by His Excellency totally inadequate for the introduction into India of a well-regulated gold currency, and supports the views contained in a letter from Mr. Walter Cassels to the Governor, of the 1st of January 1864. The practical proposals contained in this able letter are as follows:—

"Placed as India in a manner is between gold-producing countries and Europe, the first consideration must be to fix the Indian Mint value of gold, so as to preserve a fair mutual equilibrium of value between ourselves, Australia, and England. This value, therefore, should not be so

high, as to render it profitable for Australia to send gold to be coined at our Mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe.

"It is likewise highly important that, as much as possible, a gold coinage should, for the present, be built upon the existing silver currency, so as to introduce the change with as much regard to private interests as may be. I therefore venture to suggest the issue of gold coins similar to the sovereign and half-sovereign, and respectively representing ten and five rupees, with subsidiary silver token coins, of limited tender, rated seven to ten per cent. above their real value. The existing silver coin might, for the present, be allowed to continue legal tender to the extent even of five hundred rupees, and this limit might hereafter be reduced according to circumstances. The new gold coins should be of an intrinsic value, which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of tender, be protected, if necessary, from the effect of any unforeseen fluctuation in value. Possessing, as they do, a well known intrinsic worth, the old rupees would no doubt, for the present, be freely received to a much larger extent, but not being replenished by fresh issues, being retired as rapidly as they came into the Government Treasuries and replaced by new token pieces, I have no doubt that in few years they would disappear from circulation, and that the change of standard and currency would thus be effected, without any sacrifice disproportionate to the benefit secured."

Sir William Mansfield, the Commander-in-Chief of the Bombay Army, has recorded a remarkable Minute, in which the subject is handled in a masterly manner. It concludes with the following recommendations:—

"I would propose, therefore, that the legal tender of gold should be enacted on the basis of equivalents submitted by Act XVII of 1835.

"That the gold legal tender should not, for the present, be in substitution of the silver tender, but in aid of it.

"That in accordance with the above, sovereigns should be allowed to run, and to be legal tender at their relative value, including seignorage charge on the basis of the equivalent established by the Act XVII of 1835, viz., at Rs. 10-4-0. That the issue of notes should take place in exchange for gold and silver bullion alike, without any administrative distinction between the two metals.

"That the Mints in India should be directed to coin gold in the coins described in Act XVII of 1835 in large quantities, and to invite the public to offer it for the purpose."

The most striking feature of this movement is its universality.

The nature of the late crisis.

There are differences of opinion as to the mode in which the object is to be attained, but all agree *that there ought to be a gold currency*. The proximate cause of this unanimity is the painful impression of the crisis through which we have just passed, and the desire to avert its recurrence. The first thing to be considered, therefore, is the nature of that crisis, and how far the means of prevention or mitigation are in our power.

The state of things at Calcutta, Madras, and Bombay, between November 1863 and March 1864, has been compared with that which prevailed in London in 1847 and 1857, but it had little in common with it. In India there had been no drain of specie owing to an unfavorable state of the foreign exchanges; neither had there been extensive over-trading. There had been much *bold* trading in cotton and piece goods, but the market had been continually rising, and large fortunes had been made. There had also been much active enterprise in Joint Stock Companies for the cultivation of tea and for other industrial undertakings, but the public confidence in their profitable character remained unshaken. Individual shareholders might find it difficult to pay up their calls; but this was the consequence, not the cause of the convulsion.

The root of this great evil lay much deeper. From time immemorial Europe had been unable to provide merchandize which India was willing to accept in return for the valuable products she had to offer, and the balance had to be paid in the precious metals. This was arrested for a time by the large supplies of cotton cloth sent to India after the opening of the trade in 1814; but the normal state of things soon returned, and since 1847-48, the importation of specie has been continually increasing.

The development given to the export trade of India by the Russian War in 1854, and by the American War which began in 1861, greatly augmented the balance which had to be paid in specie. It was not merely that vast additional quantities of fibres, oil-seeds, and cotton, had to be paid for. The increased demand upon the resources of India could not be met at former prices. A large porportion of the cultivated area of India was diverted from raising food to raising exportable produce. A large porportion of the labor of India was diverted from the

immediate work of production to the construction of railroads, and roads to convey this exportable produce to the coast. In consequence of this, the price of labor and of every article of domestic and foreign consumption went up together. Cotton, which was the subject of keenest com-

petition, rose in the rural districts to three or four times its former price. The result will be seen in the remarkable Return of imports and exports of merchandize and specie in the Appendix.

The nature of the crisis in the three great Indian ports in 1863-64 will now be better understood. It was not in its origin or true nature, a *monetary* crisis. If the trade between Europe and India had been conducted by an equal interchange of merchandize, it could not have happened. But, while the exports of merchandize in 1863-64 amounted

to £67,459,795,* the imports were only £30,384,828, and the balance, amounting to the great sum of £37,074,967, had, for the most part, to be paid in specie. The exigency, therefore, arose from the peculiar conditions of the foreign trade of India. The people of India were only beginning to appreciate the articles of comfort and luxury which England was able to supply, and they were totally unprepared to accept as equivalents the

* The increase in the value of the merchandize exported from India in 1863-64 is accounted for to the extent of £16,630,368 by the increased value of the cotton exported. The Return for the year 1863-64, appended to my Financial Statement, has now been completed as underneath. The rest of the difference will, I think, prove to have been chiefly due to the general increase in the price of Indian produce caused by the conversion of land to cotton cultivation, and by the extensive system of works in progress, rather than to an increase in the quantity exported.

Raw Cotton exported from Calcutta, Madras, and Bombay, in twelve months, from the beginning of May to the end of April, in 1862-63 and 1863-64.

			1862-63.		1863-64.	
			Quantity.	Value.	Quantity.	Value.
			Cwt.	£	Cwt.	£
Calcutta	..	..	408,779	1,567,690	574,981	3,080,590
Madras	..	..	556,760	2,381,288	647,240	4,471,811
Bombay	..	..	3,257,485	14,834,565	3,616,782	27,911,590
Total	..	..	4,223,024	18,783,543	4,839,003	35,463,911

manufactures she had to offer for the sudden increase of produce demanded from them. The only article which was in universal demand among them was specie; and, as the chief employment of specie is in the manufacture of money, and gold had been excluded by the Regulations of the Government of India from this employment, silver had to bear the principal strain. In other words, it was emphatically a *mercantile* and not a monetary crisis, and silver and gold must be regarded in reference to it as ordinary articles of the import trade.

The money already circulating in the country was sufficient for carrying on its internal exchanges. Judging from the prevailing high prices, it may be questioned whether it was not more than enough. The means of meeting the additional demand caused by the peculiar state of the foreign trade which has been described, were, however, entirely deficient. There is nothing in India like the Bank of England, which keeps a reserve of cash for the whole country. The produce exported to England is paid for by remittances from England, effected partly by bills upon the Indian treasuries purchased at home, partly by bills upon England or China sold in India, and partly by consignments of specie from Europe or Australia. Every year, at the commencement of the cold weather, a call is made for specie to be sent into the interior to pay for produce to be sent down to the ports, and during the interval money is comparatively abundant.

Towards the close of 1862 this annual craving for specie was greater than usual; but in November 1863 a demand set in, which was unprecedented for intensity and duration. Although the Banks of Bengal, Madras, and Bombay were reinforced by large sums from the cash balances of which they had the use under their agreements with the Government, their available funds were speedily exhausted. Firms possessed of large resources, provided time was allowed to realise them, must have declared themselves insolvent if they had been pressed to liquidate the claims upon them. Fabulous rates were paid in the bazar for ready money. Government Securities, which had been at par, suddenly went down to 83, not because there was any want of confidence in the Government, but because everybody wanted to sell, and nobody had money to buy. With the relaxation of the pressure, Government Paper returned nearly to par. The only security which completely held its ground was the Government note currency. It must be also recorded to the honor of these great mercantile communities, European and Native, that, throughout this period of extreme pressure, when the fall of any one

house might have involved wide-spread ruin, the greatest mutual forbearance was exercised. This may have been in part owing to a just perception that the responsible persons in this country were acting on behalf of principals in England, and that every claim would be fully satisfied as soon as the requisite remittances could be made.

The position then is—

The late crisis was *not* caused by any deficiency of the circulating medium of India. If that medium had been much larger, for instance, if ten of the fifteen millions sterling of rupees deposited in the treasuries had been put into circulation, and the paper currency had been doubled, the crisis would still have taken place. The circulation was rather redundant than deficient according to the existing habits and wants of the people. This is proved—1st, by the abundance of money at all the principal marts on the coast and in the interior, during the intervals between the annual exceptional demand arising from the peculiar state of the trade with Europe; and 2nd, by the universal high prices. The latter are a certain indication of a full state of the circulation, because, whatever may be the causes which create a tendency to a rise of price, they would be held in check if the circulating medium were deficient. The average price of bar gold, at Calcutta, per tolah of 22 carats fine, was Rs. 14-13-0 in 1853, and Rs. 14-13-4 in 1854. It was Rs. 14-13-0 in 1862, and Rs. 14-15-4 in 1863. At Bombay, the average price of gold bars (98 touch) was Rs. 15-14-3 in 1858, and Rs. 16-0-5 in 1863. It would seem from this that there has been a slight fall in the value of silver, measured in gold, in India. But the true comparison is that of gold and silver, taken together, with all other articles; and judging by this test, it must be admitted that after making full allowance for other causes of the prevailing high prices, the precious metals are abundant and cheap in India.

The late crisis *was* caused by the unwillingness of the people of India to accept ordinary mercantile equivalents for the large additional value exported last year; and by the Regulations of the Government of India, which give an advantage to silver, as an article of merchandize, in comparison with gold. The necessity for this great importation of silver was quite irrespective of the deficiency or redundancy of the Indian currency. It was occasioned merely by the fact that silver was the only article which the people of India would take in any quantity in exchange for their produce. Vast supplies of silver had been poured into

India, under the operation of this exceptional and extrinsic cause. But, even if these supplies had been yet more abundant, fresh importations must still have taken place, because no other equivalent would be accepted for the Indian produce which the rest of the world desired to have.

If this is a true diagnosis of the malady, there can be no doubt about the remedy. India, and, through India,

The true remedy.

the countries trading with her, are suffering

from the want of acceptable equivalents for the exportable produce which she furnishes in such richness and plenty. The strain upon silver will be relieved by every addition that can be made to the other articles in demand in India. Piece goods and yarn have become a great staple of the import trade. The increase in the importation of these has been arrested by the scarcity of cotton at Manchester, and the rise in the price of food in India; but, as these obstructions diminish, the trade is likely to be greatly developed. The native hand-loom system is collapsing in every part of India; and, although English weaving and spinning establishments in India are, to a certain extent, taking up the coarser qualities of the native article, which must always be made in this country, the balance in favor of Manchester is overwhelming. Metal wares of English manufacture are getting possession of the market of India; and, in the form of utensils for cooking, eating, and drinking, they are passing from luxuries into necessities, as tea, coffee, and tobacco have done in England. Even Cheshire salt is supplied at prices which is obtaining for it a wide field of consumption in Northern India. But, as the use of the precious metals in India is already great and is rapidly increasing, and as India has no mines of her own, gold and silver must always be the great reserve of the import trade. To husband this reserve, therefore, and to make it answer the purpose of an article of import with as little disturbance as possible of the commercial and monetary economy of India or any other country, ought to be our chief object.

The first condition for the attainment of

Both the precious metals should be equally available as articles of import.

this end is, that both the precious metals should be equally available as articles of import.

Before the discovery of the gold fields of California, the annual production of silver was larger than that of gold. Since that the case has been reversed. The annual production of silver is now supposed to be about ten millions sterling, and that of gold about twenty-five millions, or two and a half times as much.

England has a Southern as well as an Eastern Empire, and the great staple of that Southern Empire is gold. Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way:—The gold of Australia is sent to England, where it is employed in buying silver; and the silver is sent to India burdened with the charges of the double voyage and with the additional interest accrued during the prolonged period occupied by it. The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment. Even a worse result is, that the trade cannot be carried on in a regular manner. The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the Continent of silver for transmission to India. In order to protect themselves, the Banks of England and France raise their rates of discount, and, by their so doing, and by the violent oscillations in the foreign exchanges, every description of business is deranged.

If, by an alteration in the regulations of the Indian Mints, gold were placed on the same footing as silver, the course of trade would be as follows:—The pastoral and mining population of Australia is supplied with clothes and other necessities of civilised life from England. The proceeds of this trade would be invested in Australian gold and copper, and these would be sent direct to India to pay for the cotton and other produce exported from India to England. The shipping would benefit as much as the mercantile interest. We should hear less of vessels coming out to India in ballast for the sake of the homeward freight. Some ships would make the triangular voyage; others would return to Australia with cargoes of sugar, rice, and other colonial produce. A regulated process, the successive steps of which might be certainly calculated upon, would be substituted for the present fitful and desultory trade, and all parties concerned would profit by the change.

Hitherto the vacuum caused by the deficiency of imports has, for the most part, been filled with silver. Al-
Impending deficiency of the supply of silver. though this has occasioned much loss and inconvenience to India and Europe, there is a worse evil behind. The annual production of the silver mines is estimated at ten millions sterling. In the last nine years the silver imported into India alone,

after deducting re-exports, has amounted to 89,633,792,* or within half a million of the entire estimated production of the whole world for the same period. There were two great reserves of silver, the currencies of the United States and France. Both these reserves have been exhausted.† The circulation of the United States has been avowedly placed upon the basis of a gold standard with a subsidiary silver token currency. In France, although the law remains unchanged, gold has been coined in vast quantities, and the only silver coins remaining in circulation are those which by wear and tear have become depreciated. The serious character of these facts will be apparent when it is remembered that the balance of trade in favor of India, and consequently her demand for silver, has been greatly increased by the revolution which has taken place in the cotton trade. Nobody can say in what proportions the supply of Manchester with cotton will ultimately be divided among different parts of the world, but it is certain that India will have a large share. It must also be remembered that other countries, besides India, stand in need of silver. Independently of the use made of it for domestic and artistic purposes in almost every part of the world, that metal still forms the currency of the greater part of Europe. It is also the standard of value in China, and performs the same service of adjusting the balance of trade for that great country as it does for India. The information at command here regarding China is very imperfect, but it is well known that, since the opening of the trade, the exports of tea and silk have greatly increased without any corresponding demand having arisen for any article of foreign produce or manufacture; that cotton has been added to the exports of China; and that, notwithstanding the help given by the opium trade between India and China in the adjustment of the exchanges, a large annual balance has to be paid in silver. The population of China is twice that of India, and her vast productive powers are even less developed than those of India.

* The figures, for the first eight years, are taken from the Parliamentary Return dated the 16th March 1864, of the "value of bullion, gold and silver, imported into and exported from each Presidency of India, in each year, from 1800 to the latest date for which it can be given," and the figures of the last year are, from the Returns in Appendix No. 2, page 202, obtained from the different Presidencies.

† European and American coins have been re-coined in the three Indian Mints during the last ten years, from 1853 to 1863, to the value of £20,172,950; besides an unknown amount of foreign silver coin which have been converted into bar silver previously to its being tendered to the Indian Mints.

Even if silver were forthcoming in sufficient quantity, it could not be coined fast enough. Whatever may be the form in which silver reaches India, it must be converted into current rupees. No description of credit based upon the existence of a certain amount of bullion or foreign coin suffices, because rupees are wanted to be sent into the interior to purchase produce. Although the power of the Bombay Mint has been much increased, it is still unable to cope with the large amounts of silver poured in by each packet. In fact, no Indian Mint could coin silver as fast as it is wanted, i. e., as fast as it arrives. The quantity of bullion remaining uncoined in the three Indian Mints, during each month of 1862-63 and 1863-64, will be seen in the Appendix. The average monthly amount remaining uncoined was £2,777,109, but this gives no idea of the real loss and inconvenience. At the season when current coin is most wanted for making purchases in the interior, the arrear of uncoined bullion is greatest. The average of the five months from December 1862 to April 1863 was £4,770,467; and even after the powers of the Bombay Mint, upon which the chief stress falls, had been greatly increased, the average arrear of the same months in 1863-64 was £3,035,092, notwithstanding that the Bombay Mint was worked by relays, day and night, without cessation, at serious risk to the machinery and great exhaustion of the persons employed. After all the pains and cost which had been bestowed upon providing these large sums and sending them to India, they were unavailable for use, because silver is so bulky compared with its value, as to be incapable of being converted into coin with sufficient speed to meet the wants of India. Great exertions were made at the London Mint to meet the increased demand for coin consequent on the gold discoveries, but if the metal to be coined had been silver instead of gold, the Officers of the Mint would have been utterly unable to cope with the exigency.

It is impossible to predicate the consequences of a real deficiency in the supply of silver for adjusting the balance of the Indian trade. So much is certain, that the commercial crisis through which we have just passed would be greatly aggravated. The facts to which I have adverted show that we are not dealing with a speculative or contingent danger. The usual annual demand for the means of paying for produce from the interior will recur next November; and if, as there is reason to expect, the value

Impossibility of coining silver with sufficient speed.

Appendix No. 3, page 208.

Probable consequences of a deficiency of silver.

of the produce will be increased, while the available equivalents for it will be diminished, owing to the exhaustion of the reserve of silver in Europe, the disturbance of the economical system of India and Europe in 1864-65 will exceed that of 1863-64, as much as the crisis of 1863-64 surpassed that of 1862-63. A worse access of the disease is impending, and, if there be a remedy, it ought to be applied without delay.

I have already said that the most effectual remedy is to put gold

Gold should be restored to its place in the currency. on the same footing as silver as an article of import; and this can be done only by restoring gold to its place in the currency.

Although gold has been demonetised by the Government of India, it is held by the people of India in the same esteem, in relation to silver, as it is by the people of every other country in the world. Its superior advantages may be summed up in the fact that it contains large value in small compass. This makes it portable, allows of its being easily secured, facilitates its coinage, and diminishes its wastage. Although the public interests are vitally concerned in the proper management of the finances, we must not measure this question only by the wants of the Government. In silver £100,000 weighs $11\frac{1}{10}$ tons; in gold only $15\frac{1}{2}$ cwt. In silver, sums of money have to be counted by rupees or two-shilling pieces; in gold, by sovereigns or twenty-shilling pieces. It is difficult to conceive the aggregate loss and inconvenience when these circumstances are applied to the greatly augmented number and amount of transactions compared with former times. Merely in making the remittances which the present state of the trade and industrial development of India requires, the additional expense must be very great. The most serious inconvenience of all, perhaps, is that the nature of the coinage does not allow of money being carried on the person for current use. Twenty sovereigns may be taken in the pocket, but two hundred Rupees would be an intolerable burden. A book might be written on the obstacles which this state of things opposes to social progress. In a country like India, where it is particularly desirable to facilitate the intercourse between different classes of the community, the want of a convenient medium of exchange is especially objectionable.

In the progress of improvement, nations advance, by successive steps, from the rude instruments of exchange of primitive times, to the use of silver and gold money; and, at last, they attain to paper as the

representative of gold. India had arrived at the gold period. Without going back to the history of former times, gold Pagodas and Fanams formed the bulk of the circulation of the south of India within the memory of persons still living; and, in the north of India, although the gold mohur was overvalued with reference to silver, its superior convenience obtained for it a considerable circulation. The trade of India with the countries beyond its North-Western frontier has always been carried on by means of gold coins of various kinds. Much interesting information relating to this part of the subject will be found in Mr. McLeod's and Mr. Melvill's papers in the Appendix No. 1, page 189.

Appendix.

The action of the Government upon this state of things was, first to exclude gold from the circulation, and then to introduce a paper currency based upon silver. The result is that India has attained the last step *per saltum*, with the omission of the one which ought to have preceded it. Retrogression has been followed by irregular advance.

The paper currency has been attended with a fair measure of success. The note circulation already amounts to upwards of six millions sterling, of which rather more than three millions has been invested in Government Securities. The time was come for furnishing this great accommodation to the Europeans and to the Native mercantile classes in towns; and, as the body of the people become educated to the use of paper money, it will gradually answer the objects intended by it. The currency circles have been extended to the rest of India, and a more popular character ought now to be given to the system by issuing five-rupee notes, as was originally intended.

But the people of India have never acquiesced in the exclusion of gold from the currency, nor have they accepted paper as a substitute for it. The plan of locking up reserves of the precious metals in strong rooms and representing them by convertible paper, belongs to an advanced stage of civilization. The great majority of the people of India must have intrinsic value in their hands before they are convinced that payment has been made to them. This habit is founded upon the experience of ages. Promises to pay are rendered of no effect by bad faith or revolution; bonds and notes are destroyed by damp or eaten by insects; but gold and silver survive every change and re-appear to be enjoyed in better times. As between gold and silver, the preference is decidedly in favor of gold, which, having large value in small bulk, offers most of the advantages of a paper currency together with the security derived

from intrinsic value. Since the improvement of the circumstances of the people arising from the great increase in the demand for their exportable produce, there has been a corresponding increase on their part in the demand for gold. It will be seen from the Returns in the Appendix

Appendix No. 2, page 202.

furnished from the three Indian Presidencies and British Burmah, that after deducting re-exports, gold to the value of £24,940,582 has been imported into India since the 1st May 1860, besides what was brought by land across the North-West frontier, and besides the large aggregate amount, chiefly in sovereigns, brought back by the laborers who annually take service in the Coffee Plantations in Ceylon, and by the emigrants returned from the Mauritius; and that the importations have been according to a continually ascending scale. In 1860-61 the value of the gold introduced into India by sea was £4,242,441; in 1861-62 it was £5,200,432; in 1862-63, £6,878,130; and in 1863-64, £8,819,765.* The explanation of this is that the people invest their new wealth in what they like best. In some favored cotton districts, gold bangles have become almost as common as silver bangles were before. Although gold is not available as a legal tender in payment of debts and taxes in the British dominions in India, the people in some parts of India have endeavoured to remedy the defects of the present inconvenient silver currency by circulating gold bars authenticated by the stamp of Bombay Banks. This rude attempt to organize an ingot currency in the face of every discouragement, proves the determination of the people to have gold, and shows that the Government would be cordially seconded by them in any attempt to introduce a gold currency on a sound footing. They would then have what they most desire,—absolute intrinsic value in a condensed form, authenticated by the impress of the State, and receivable by law in payment of every obligation.

A still more striking instance is that gold coin is in such request, that *real* gold mohurs, nearly of standard value, are habitually made by forgers, chiefly to secure the premium at which they sell. The details of

Appendix No. 4, page 213.

four such cases will be found in the Appendix.

One of these establishments, at Jugadree,

* The figures for the first three years have been taken from the Parliamentary Return and for the last year from the Return in Appendix No. 2, page 202. It will be seen from the last-mentioned Return, that, while silver was re-exported in 1863-64, in the proportion of about 1 to 4 of the imports, gold was re-exported only in the proportion of about 1 to 23. There can be no doubt that gold has already released for circulation a large amount of hoarded silver.

a flourishing mart in the Umballa Division, was on the scale of a Mint, and the gold mohurs manufactured there have an extensive circulation in the protected Seikh and Hill States and elsewhere.

Many other proofs might be adduced of the popularity of a gold coinage in India. The Native State of Jeypore has long enjoyed a reputation for the purity of its coins; and Jeypore gold mohurs, which were formerly seldom seen, have of late years obtained an extensive circulation. In the Punjab the use of gold as a medium of exchange has greatly increased of late years. In the Seikh time it was chiefly procured from Russia through Cabul; but, to use Mr. Melvill's words, "the facilities of communication with Calcutta and Bombay, which are freely supplied from Europe and Australia, have given the precedence to those markets in the supply of gold." Mr. McLeod reports that the sovereign

is now the gold coin most familiar to the people of the Punjab, "being by far the most abundant and almost the only one now employed systematically for equalising the exchange." The prevailing opinion at the other extremity of the empire in British Burmah will be seen from the papers in the same number of the Appendix from two gentlemen of experience and ability who have been much engaged in mercantile pursuits.

But the most decisive example of all will be found in the Madras correspondence in the Appendix. Owing to the large number of sovereigns introduced into the districts of Tanjore, Tinnevely, and Madura, partly received in payment for rice exported to Ceylon, and partly the earnings of laborers who had returned from Ceylon and the Mauritius, current silver money became so scarce in 1858, that it was difficult for the landowners to pay the revenue due by them. The Government of Madras, therefore, authorised the receipt of sovereigns at the Tanjore Treasury at 10 rupees each, and afterwards directed that they should be paid at the same rate to such persons as might be willing to receive them. Although this proceeding was overruled by the Government of India, it had gone far enough to prove that a gold currency, based upon the sovereign at 10 rupees, would rapidly have taken the place of the silver currency, if the Supreme Government had not interfered to prevent it. The unissued coins were sent to Madras to the number of 10,370 sovereigns and 1,865 half-sovereigns, where they were sold at a profit of Rs. 2,168-12-7 compared with the rate at which they had been received, being an average

premium of three annas one pie on each sovereign. The Australian sovereigns, although more valuable than the English to the extent of the silver alloy they contain, sold on an average three farthings each less.

The determination of the people of India to have gold, justifies Lord Liverpool's opinion that "in very rich countries, where great and extensive commerce is carried on, gold is the proper metal of which the principal measure of property and instrument of commerce should be made. In such countries, gold will, in practice, become the principal measure of property and the instrument of commerce, with the general consent of the people, not only without the support of law, but in spite of almost any law that may be enacted to the contrary; for the principal purchases and exchanges cannot there be made in coins of a less valuable metal."

The plan of issuing notes in certain proportion against gold.

It remains to be considered how this great desideratum can best be attained.

Act XIX of 1861, under the authority of which the Government paper currency was established, contains a provision that notes not exceeding one-fourth of the total amount of issues represented by coin or bullion, may be issued in exchange for gold coin of full weight of the Government of India, or for foreign gold coin or gold bullion computed at rates to be fixed by the Governor General in Council, and not to be altered without six months' previous notice. Mr. Cassels remarks that "this important amendment has, for some inscrutable reason, or by mere oversight, been allowed to remain ever since a dead letter," and the Governor of Bombay proposes that it should now be acted upon. "The effect of this," Sir B. Frere observes, "would be to substitute a considerable portion of gold for the silver which is now imported into India; and in proportion to such substitution, to relieve the inconvenience which is now felt by the absolute scarcity of silver in Europe. It would also tend to expand the use of Government currency notes, and to set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country, and which disappears from the circulation of our great commercial marts."

This provision was borrowed from the parallel case of the Bank of England, which was permitted by the Act of 1844 to issue notes in exchange for a certain proportion of silver.

This was objected to by Mr. Wilson and other high authorities, who considered that the principle of convertibility on demand, required that

the Bank of England should be allowed to hold in its coffers that metal only in which payment of its notes could be demanded, and that the permission to retain silver as a portion of the reserve introduced a mercantile element into the management of the Issue Department, and was inconsistent with the theory on which the Act was founded.

The object of holding silver in the Issue Department of the Bank of England was to facilitate the adjustment of the exchanges with France; but, after the change in the relative prices of gold and silver caused by the gold discoveries and the increased demand for silver for transmission to the east, the nearly balanced system of alternative standard in France oscillated in the direction of gold, and it became no longer advantageous for the Bank of England to hold silver in the Issue Department. Since August 1853 that item has disappeared from its weekly account; and it only re-appeared for a few months at the end of November 1860, under an arrangement adopted for the convenience of the Bank of France.

The corresponding provision permitting the Currency Department of the Government of India to receive a certain proportion of gold, has never been acted upon for the following reasons :—

Because, as stated by Mr. Wilson, it is inconsistent with the principle of a Government paper currency. That paper is payable only in the current coin of the country; and its convertibility in times of political distrust or mercantile panic, might be seriously endangered, if any of the uninvested deposits were held in gold which could not be tendered in payment of the notes. The sale of gold for current silver coin would be a precarious resource, for times of panic are exactly the times when money is not to be had.

Besides furnishing a more convenient medium of exchange, a properly regulated paper currency releases, for productive purposes, a portion of the capital of the country which had been employed, without yielding interest, in providing a less perfect medium of exchange; and, with this object, such portion of the deposits as is not likely to be required to meet demands for coin, ought to be invested in Government Securities. The effect, therefore, of keeping any portion of the deposits in a form which is not available for the payment of the notes, is to interfere to the same extent with the beneficial operation of the

paper currency system. The full amount required to maintain the convertibility of the notes has to be kept in current coin, in addition to the uncurrent coin or bullion. In other words, the latter is pure loss.

There are other practical difficulties which I will describe in the words of Mr. George Arbuthnot, of Her Majesty's Treasury, to whose mature experience and excellent judgment in this difficult class of subjects, I have often been deeply indebted. "It would be easy to imagine cases in which the Government of India would be placed in great difficulty in attempting to manage, on its own immediate responsibility and discretion, the issue of notes in exchange for a limited amount of gold coin or bullion. The advertisement of a price would be an invitation to parties to tender gold; but individuals, not acting in concert, could not ascertain the quantity which it would be safe for them to remit. When it arrived in India, the limit might have been reached to which the proportion of gold is restricted by the currency law; and confusion, instead of facilities, in the adjustment of exchanges, would be the result. Again, the sale of gold when its price might be higher than that at which it was received into the currency chest, could hardly be undertaken by Government with a view to profit. However skilfully such transactions might be conducted, it is hardly to be conceived that any Government official could so conduct them as to avoid the risk of censure by those whose interests might be affected by the disturbance of prices occasioned by the sales; and the probability is, that no official would have sufficient experience of business of this nature to enable him to manage it with safety."

And, after all this difficulty and hazard, the end attained would not be "to substitute a considerable proportion of gold for the silver which is now imported into India," nor to "set free a corresponding quantity of silver which is now absorbed in various ways in remote parts of the country," as supposed by the Governor of Bombay, but to lock up a certain quantity of gold in an unproductive state, subject to the condition that an equal value in current silver coin must be kept in deposit to provide for the payment of the notes.

This seems the proper place for calling attention to the extraordinary and dangerous complication which has arisen from the adoption into the Indian paper currency system of the mercantile principle of issuing notes in exchange for bullion as well as coin, which was retained

Complication arising from the practice of issuing notes against silver bullion.

in England by the Act of 1844. I am speaking now of silver bullion which by the 9th Section of the Act of the Government of India, No. XIX of 1861, must be received in exchange for notes to any extent to which it may be offered, with a proviso that, in places where there is no Mint, it shall be optional to receive coin only, in exchange for notes. This option has been acted upon in the case of the currency circles recently established in the interior, by directing that notes shall be issued only in exchange for coin.

The Indian Mints have always been open for the receipt of silver bullion; and, while the amounts tendered for coinage were moderate, and the Mint certificates were payable at thirty, and afterwards at twenty days' sight, no inconvenience was felt.

But in July 1861, the paper currency system was introduced, one of the conditions of which was that notes invested with the character of legal tender might be obtained at once in exchange for silver bullion.

This made it necessary that the Mint certificates also should be payable on demand; for, otherwise, the bullion would all have been sent to the Currency Department to be exchanged for notes, and the notes would have been immediately returned to be exchanged for coin. The result of this would have been, that the Currency Department would have become filled with bullion and emptied of coin; in other words, that Department would have had to suspend cash payments and declare itself insolvent.

The obligation to pay the Mint certificates upon demand, involved the Government in a formidable responsibility. The entire financial machinery had to be strained to meet the vast amounts of bullion poured in to pay for the enormously increased exports. For some months, while the usual receipts from opium were suspended and our reserve at Calcutta was locked up by the investments made by the Bank of Bengal on its own account, under its agreement with the Government, the anxiety was

very great. It will be seen from the Return
Appendix No. 6, page 240. in the Appendix that £6,310,550 was remitted

in aid of the Bombay Treasury, between the 1st May 1862 and the 20th May 1864. Since the beginning of last April we have had to remit £1,220,000 to Bombay, besides £460,000 in coin obtained from the Currency Department in exchange for bullion.

In order to keep the Bombay Mint at work at the rate of £40,000 a day, it is necessary that there should be £940,000 of bullion in its several departments, and seventeen days intervene between the receipt of bullion and its issue as coin. If, therefore, there was little or no bullion in the Mint, and a large amount was tendered for coinage, at least £600,000 would have to be paid before the Mint could deliver any new coin into the Treasury. That this is not an improbable contingency is evident from the fact that, during the last three years, the silver

bullion tendered monthly has ranged from
Appendix No. 3 C, page 211.

£874 to £2,295,552, and that, in the same month in the three years, the amounts have varied from £577,709 to £2,295,554, and from £874 to £437,481.

The same state of things prevails at Calcutta and Madras. "If the balance of bullion in the Mint," the Master of the Mint at Calcutta reports, "is reduced to a minimum, as is now being done, it will be necessary, in the case of any sudden influx of silver, for the Treasury to be prepared to meet Mint certificates at the rate of four lakhs a day, for twenty days, without counting on any remittances from the Mint."

All idea of husbanding the public balances for the public benefit must be cast aside, if they are to be answerable for any amounts of bullion which the new necessities of the Indian trade may bring to our shores. So large and unexpected are the demands, that, concurring, as they may do, with other exigencies, we may at any time be thrown by them into a state of temporary insolvency. Merchants are entitled to have their bullion converted into coin at the earliest possible period, but they cannot expect advances to be made upon it out of the public purse.

Although we have been forced, for a time, to pay the Mint certificates on demand, owing to the complication, already explained, connected with the paper currency, we have never conceded the principle which regulates every Mint in the world—that of being liable for the value of the bullion only after it has actually been made into coin. We ought, therefore, to adopt the true basis of a paper currency, by issuing notes only in exchange for coin; and we shall then be able to return to the former practice of granting, as fast as the bullion can be assayed, Mint certificates payable after an interval fixed with reference to the average time occupied in coining.

Returns will be found in the Appendix, showing—

Appendix No. 3, page 208. 1st.—The total amount of silver bullion received at each of the three Indian Mints, in each month, from 1st May 1862 to the 30th April 1864.

Appendix No. 3, page 208. 2ndly.—The total amount coined in each month.

Appendix No. 3, page 208. 3rdly.—The balance remaining uncoined at the end of each month.

Appendix No. 3, page 212. 4thly.—The silver bullion tendered for coinage to the Bombay Mint in each month from the 1st May 1861 to the 30th April 1864; and,

Appendix No. 6, page 240. 5thly.—The remittances made from the 1st May 1862 to the 30th April 1864 to reinforce the Government balance at Bombay to meet the Mint certificates and the Secretary of State's bills.

Previously to the Act of the Government of India, No. XVII of 1835, by which an uniform coinage was established for the British dominions in India, the gold mohur of Bengal and the Star Pagoda and other gold coins of Madras and Bombay were a legal tender, being valued relatively to silver in the proportion of one to fifteen.

By the Act of 1835, and a contemporary Resolution of the Government of India, gold coins, representing, respectively, 5, 10, 15, and 30 rupees, were directed to be coined at the Indian Mints; and, although they were not to be a legal tender, they were to be received "and issued" at the public Treasuries at rates to be fixed, from time to time, by proclamation.

The rates were those denoted by the names of the coins; but it was afterwards perceived that the issue of these coins at a prescribed rate was inconsistent with the fact that they were not a legal tender, and a proclamation* of January 1841 authorized them to be freely received at

* "No gold coin will henceforward be a legal tender of payment in any of the territories of the East India Company; but the gold pieces to be hereafter coined will circulate at whatever rate of value relatively to the legal silver currency of the country they may bear to currency. The Governor General in Council will, from time to time, fix the rate by

the previous rate of fifteen to one, and "to be disposed of as might be ordered by the Accountant General or the Accountant of the Presidency."

In May 1844, in order to encourage the coining of gold, the reduction of the seignorage on gold bullion tendered for coinage from two to one per cent., which had previously taken place at Calcutta in November 1837, was extended to the Mints at Madras and Bombay; and it was declared that persons delivering in gold for coinage were entitled, as a matter of right, to have gold coins returned to them. The seignorage on silver coin remained, as before, at two per cent.

In January 1850, the Sub-Treasurer at Calcutta reported that the market price of the gold coin had gradually fallen to the price at which the Government received that coin from the public, and that there appeared to be a tendency to a further fall. This was the first notice of the effect upon the currency of India of the increased production of gold in California; but the Government did not at that time consider it necessary to direct any alteration in the terms on which gold coin was receivable into the public Treasuries. After this came the discovery of gold in New South Wales; and the Government of India was alarmed by rumours that arrangements were in progress for forming connexions with Australia for the purpose of bringing up gold, by a direct line of steam communication, to take advantage of the proclamation by which gold was receivable at the rate of fifteen to one compared with silver of equal weight and fineness.

In order to avoid the embarrassment of an excessive stock of coin which was not re-issuable and could not be disposed of except at a loss, notice was given, on the 22nd of December 1852, that gold coin would no longer be received in public Treasuries.

The course which ought now to be adopted, is to retrace our steps, and to declare gold to be a legal tender in addition to silver, at a rate carefully calculated with reference to the relative value of the two metals.

proclamation in the *Calcutta Gazette*, at which they shall be received and issued at the public Treasuries, in lieu of the legal silver currency of British India. Until further orders that rate will be as the names of the tokens denote—the gold mohur, for 15 rupees; the 5-rupee piece, for 5 rupees; the 10-rupee piece, for 10 rupees; and the 30-rupee piece for 30 rupees."—*Letter from the Government of India to the Court of Directors, 24th of June 1835.*

To the adoption of this course, Mr. Wilson objected that "a contract to pay a given sum of money is nothing more nor less than a contract to deliver a given weight of that metal which is the standard at the time the contract is made, and that to alter or vary the standard, and to adopt another metal because it is cheaper, is simply to enable the debtor to break faith with the creditor."

Mr. Wilson's objection.

This argument has been ably and successfully answered by Sir W. Mansfield, in the 3rd and 4th Chapters of his Minute. He shows that money is the measure and representative of *value*; and that, whatever may be the current coin in which contracts are expressed, the intention is, that the creditor should receive *value*, without depreciation, in any form which may be most convenient to the community to which he belongs; otherwise, the State would not be able to change its legal tender or expression of value, the effect of which would be, under different circumstances, to do real injustice to debtors or creditors. If a change of value is taking place by which an ounce of silver will, at some future time, be worth more than an ounce of silver now is, we ought not to increase the value of debts by declaring that, for all time to come, they shall be paid in coins constantly gaining a higher value than was originally attributed to them; and the reverse of this would be the case if silver was in a course of depreciation. Including the local revenue, the Government of India is annually a creditor to the extent of nearly fifty millions sterling, more than two-fifths of which depend upon permanent obligations expressed in the legal silver money of the time, or upon obligations similarly expressed for long terms of years. The same Government is also a debtor to the extent of rather more than twice its annual revenue. According to this view, the State is chiefly interested in maintaining the rights of creditors. But according to the broad and just view, the real concern of the State is to maintain the integrity of all contracts, public and private, and to promote general confidence and good faith, by so regulating the circulating medium, that, as far as possible, no enhancement or depreciation of value shall take place to the advantage of debtor or creditor.

The question of the double standard.

Closely connected with this, is the question of the double standard of value.

The popular sentiment coincides with the opinion of Mr. Locke, Mr. Harris, and Lord Liverpool, that the principal measure of property should be made of one metal only.

And, in fact, although it may be necessary for a time that two metals should be legal tender, only one metal can practically be the standard of value.

However accurately the value of two metals may be adjusted to each other, the vicissitudes of production, the necessities of commerce, and the convenience of daily life, ever cause slight variations between the market value of the two, and the cheaper metal becomes the principal medium of exchange and the standard of value.

It would seem to be a result of general experience, that nations must pass through this stage before they arrive at a satisfactory state of their currency.

British currency went through a series of alterations between gold and silver until a gold standard, with a subsidiary silver token coinage, was finally established in 1816 by the 56, George III, C. 68.

The experience thus acquired was employed in 1838 and the following years in reforming the metallic money of the British Colonies, which had fallen into a confused and unsatisfactory state, and peremptorily required the interference of the Government. This was done by rating the foreign gold and silver coins current in the different Colonies at their proper relative value to sterling money, and making them legal tender in common with sterling money. The discoveries of gold in California followed after an interval of some years, and silver then ceased to circulate, except as tokens for the fractional parts of the pound sterling, and the British sovereign was established as the sole standard. The first of these changes was an administrative operation. The second was a natural result. They were both eminently advantageous.

The whole process is described in the extract in the Appendix from
 Appendix No. 7, page 249. a Memorandum by Mr. George Arbuthnot,
 dated in August 1858. It will be seen that
 he speaks of the proceedings for the "concurrent use of the British
 with the foreign coins at the rates assigned to them," as having been
 "attended with perfect success;" and says that the subsequent transi-
 tion from a silver to a gold standard "was effected without disturbing
 contracts, and without detriment, therefore, to the community at large."

Our example was followed by the United States. By the law of 1849, golden dollars of a certain weight and fineness were legally

declared to be equal to the silver dollar. In 1853, the old full weight silver coin having been in great part absorbed as a commodity of trade, and the national reserves now consisting almost entirely of gold, the intrinsic value of the silver coins was reduced (the dollar from 412½ grains to 384 grains,) so as to make them tokens, like the English silver coins, limiting their tender to five dollars, and thus adopting a single standard of gold.

A similar change has taken place in France. Since the decree of Napoleon in 1801, a double legal tender has prevailed. From 1801 to 1850 gold had a tendency to rise, and it consequently disappeared from the ordinary circulation and commanded a premium; but the price having fallen somewhat below the fixed rates since the discoveries in California and Australia, the standard currency of the country and its reserves now consist of gold, and the silver coin, which has not been exported, in consequence of its having been reduced by wear below its full value, is fast passing into the state of a subsidiary token coinage.*

As in the British Colonies, so in the United States and France, the alternative legal tender caused no inconvenience in measuring values;

* Since this was written, I have seen from the Newspapers that the French Government has determined to reduce the half and quarter francs from 900 parts of pure silver and 100 alloy, to 835 pure and 165 alloy; in other words, to make them avowedly tokens, which they had really already become by wear. The five franc pieces of the coinage of the years till 1830 were always better than standard, but from 1814 to the present time they have been below their standard, and the coins of the present day are worse than any. The following is an abstract Statement of five franc pieces received into the Calcutta Mint during 1863-64 :—

Weight in Tolahs.		Assay.	Nett value in Rupees issued in Mint Certificate.	Nett value at French standard 900 Touch, or 4 dwts in the Pound Troy, worse than Indian standard.	Loss to importers from difference between ac- tual assays and French standard.
Ra.	A. P.		Ra. A. P.	Ra. A. P.	Ra. A. P.
57,98,291	9 0	4 dwts. worse.	55,73,318 1 2	55,73,318 1 2	Nil.
40,40,187	14 0	4½ do.	38,74,439 2 8	38,83,428 9 5	8,989 6 9
11,993	0 0	5 do.	11,416 14 5	11,469 5 11	52 7 6
13,208	2 0	5½ do.	12,607 7 9	12,005 10 5	58 2 8
98,63,620	9 0	.....	94,71,781 10 0	94,80,911 10 11	9,130 0 11

and the accession of gold, as the sole standard of value, did not affect, in any perceptible manner, prices, obligations, or interests of any kind whatever.

It will be seen from the papers describing the currency of Ceylon, which form the last number of the Appendix, that Ceylon, which is an integral part of India, is considered to owe to its double standard its comparative immunity from the severe monetary crisis through which India has lately passed.

I have no further argument to urge for the adoption of gold in British India as an auxiliary currency. Monetary science is eminently experimental; and if the point has not been established by the examples which have been adduced, no *a priori* reasoning would suffice.

If the expediency and safety of the first step has been proved, I do not care to follow the process through its subsequent stages. The change should, of course, take place with the utmost attention to the habits and feelings of the people, as recommended by the Chambers of Commerce. What I propose is, not an immediate or entire substitution of gold for silver money, but the gradual addition of gold money to the existing silver money. Both metals are held in esteem by the people on account of their intrinsic value, and for a long time they would have a concurrent circulation. The first effect of the admission of gold into the currency would be to raise the value of gold, because it would release an equivalent amount of silver. In other words, a tendency would be created to lower the value of silver, and, so far, an advantage would be given to silver in maintaining its place in the circulation. The ultimate effect would, probably, be that, partly from a slight additional fall in the price of gold in India arising from causes which will be hereafter more fully explained, and partly from the superior convenience of that metal in making the larger payments, the currency and reserves of the country would become gradually filled with gold, and the time would then arrive for considering the propriety of converting the silver coinage into a subsidiary token coinage. Perhaps, as in France, the silver coinage, not being renewed, and becoming by wear less than its full nominal value, would of itself subside into a token coinage, and the people of India would be gradually educated to receive such a coinage as representing a value which it did not intrinsically possess.

Commerce would be greatly facilitated by the establishment of one uniform standard medium of exchange throughout the British Empire. This is an advantage of extensive empire, including dependencies in different parts of the world, which ought to be utilised for the public benefit. A similar advantage was formerly derived from the general currency which the Spanish dollar obtained. Owing to its superior convenience and other causes, the British sovereign would, if fair play were given to it, come into more extensive use than the Spanish dollar ever did.

One of the first results of the discovery of the Californian gold fields was, that the Mediterranean and Levant were swept of dollars for transmission to the east, and sovereigns were substituted for them. After the discovery of the Australian gold fields, a branch of the Royal Mint was established at Sydney for the coinage of gold in accordance with the standard of weight and fineness of the currency of the realm. The superscription, however, was different, and the coin was made a legal tender only in the Australian Colonies. Its currency has since been extended by Royal Proclamation to other possessions of the Crown, viz., Mauritius, Ceylon, and Hong-Kong.

In May 1862, a Select Committee of the House of Commons was appointed to consider and report on the expediency of legalising the circulation in the United Kingdom of the sovereigns coined at the branch of the Royal Mint at Sydney. The Committee reported that although the sovereigns coined at the Sydney Mint might "be considered perfect as regards fineness and weight," and were, in fact, more valuable than the Tower Hill sovereigns, because, whatever silver there was in the gold found in Australia, it remained in the coin as part of the alloy, the sovereign made at the Royal Mint had a preference over the Sydney sovereign wherever both were in circulation; that this was entirely due to the fact that the Sydney sovereign was current in Australia alone and in a few of Her Majesty's distant possessions, while the English sovereign had a circulation throughout the realm; and that "the inconvenience resulting from this limit on the circulation of the Australian sovereign is particularly experienced in the large trade carried on between Australia and our possessions of Ceylon and Mauritius, where this coin has been declared current by Royal Proclamation. In this commerce with our possessions, and also with India, Manilla, Java, and other

countries, into which Australian gold coin largely enters, there is no doubt but that the imperial sovereign is more highly valued than the sovereign issued at the Sydney Mint." The Committee, therefore, recommended—

"1st.—That gold coin should be issued from the branch Mint at Sydney, having currency in all parts of the British dominions where gold coin minted in London is current.

"2nd.—That the coin struck at the Sydney Mint should have, as nearly as possible, the same alloy, and the same quality of execution and durability as that struck at the Royal Mint in London.

"3rd.—That the coin should also have a Mint mark sufficient to indicate, at least to bankers and others, the Mint whence it issued.

"4th.—That an adequate Mint charge or seignorage should continue to be levied, and that the Imperial Government should stipulate for its being kept at such an amount as to prevent any undue inducement to the importation into the United Kingdom of gold in coin rather than in bars.

"5th.—That arrangements should be made for withdrawing from circulation, as speedily as possible, the existing Sydney gold coinage.

"6th.—That the charge for the branch Mint should be provided for by permanent appropriation by the Legislature of New South Wales, rather than by an annual vote."

These recommendations were accepted by Her Majesty's Government, and a Treasury Minute was recorded on the 22nd of June last, stating that "My Lords are satisfied with the disposition shown by the Legislature of New South Wales to pass an Act for this purpose the Bill introduced this year having been withdrawn only on account of a technical objection not affecting the principle of the measure; and they are willing to submit a Bill to Parliament, as proposed by the Governor of New South Wales, conditionally, enabling Her Majesty to declare by proclamation, coins to be issued from the Branch Mints of New South Wales, corresponding in the essential particulars regarding the standard of value and denomination with those issued from the Royal

Mint of London, a legal tender of payment in the United Kingdom. The effect of such an enactment will be to enable Her Majesty to give currency to the Sydney gold coins in all parts of Her dominions in which gold coins issued from the Royal Mint in London are a legal tender."

The Minute then states that this measure must be guarded by the precautions recommended by the Committee, of which the imposition of an adequate Mint charge is the one of most immediate importance. This charge is proposed to be fixed at 3*d.* an ounce of gold coin, which is the estimated cost of coinage on all gold returned in coin to the importer; and it is explained that this is to be over and above, 1st, the charge made at the Sydney Mint for prompt Returns, whether in coin or bar gold, analogous to the charge of 1½*d.* allowed by law at the Bank of England for immediate Returns in exchange for bullion; 2nd, the charge, if any, which may be incurred for assay and refining; 3rd, the duty, if any, imposed, by Colonial Act, on gold imported into the Mint as the equivalent of an export Customs duty.

The 2nd and 3rd recommendations, the Treasury Minute proceeds, will be the subject for future consideration when the necessary statutory powers shall have been obtained; but, although identity in quality of execution and durability between the coin struck at the Sydney Mint and that struck at the Royal Mint of London, may properly be kept in view as an object of ultimate attainment, it would not be expedient to lay down any positive regulation regarding the character of the alloy to be employed.

It will thus be seen that the only external obstacle to the supply of India with the standard gold coin of the British Empire is about to be removed. Australia is the greatest existing source of supply of gold; and, both from proximity and from the course of trade, she ought to be bound up with India in a peculiar relation.* The perfected authenticated produce of the Australian gold fields ought to have the same

* There are political and moral, as well as economical relations involved in the connection between Australia and India which were alluded to by me in a letter published in the *Times* on this subject in February 1850.—"England has a southern as well as an eastern empire. One empire is Christian, the other is Heathen. One is young, self-governed, full of vitality, composed of men of our own nation and language: the other is the oldest existing community in the world, abounding in latent resources, but helpless, dependent, and requiring the aid of a more energetic race to rise to a higher state of social and moral existence. That these two empires should be closely connected with each other,

advantage as the Spanish dollars coined at the mine's mouth had in former days. But, instead of this, it must either be sent to England to be re-coined and forwarded to India charged with all the expenses of this circuitous route, or, if sent direct to India, it must be disposed of at a loss compared with the British sovereign. For the future, there is to be only one sovereign, distinguished merely as to its place of manufacture by a Mint mark, which will require a magnifying glass to be detected.

The Committee abstained from entering into the question "whether the Mint would have been better placed at Melbourne than at Sydney; or if a Mint should not also be established at Melbourne;" but in another part of their Report, they gave the following indication of what their decision would have been; "the character of a coinage, whether produced at one or at many establishments, must depend on the honesty and integrity of those charged with its superintendence, and there is no reason to doubt that, with a well-regulated establishment and proper control, Mints conducted for the advantage of the subject, and not for the exclusive benefit of the Crown, may usefully be established wherever there exists an extended market for bullion." The Treasury Minute contains the following reference to this part of the subject:—"My Lords would have been ready to have entered into this question if required to do so, as preliminary to any measure for declaring sovereigns and other gold money, coined in Australia, a legal tender of payment in the United Kingdom; but, as it has not been raised by the Colonies immediately concerned, though ample time has been offered for its consideration since the publication of the Report, their Lordships feel themselves warranted in passing it by, and applying themselves to the proposition now before them from the Colony of New South Wales."

India has no slight interest in this question. The precious metals are imported at a particular season of the year to meet the urgent necessities of trade. They are wanted in the form of coin, to be sent at once into the interior, to pay for produce; and every day's delay is a loss to the holder and an injury to trade. But, as the precious metals are

as well as with the metropolitan country, greatly concerns the interests of all. The tropical productions of India meet with a ready sale in Australia, but the great staple of Australia is excluded by Mint Regulations from India. Australian men would come in the wake of Australian gold, and another branch of the Anglo-Saxon family, singularly adapted for the work by experience and genius, would co-operate with us in the organization of Indian industry."

received in vast quantities at a time, it is impossible that any Mint, however powerful, can convert them into coin as fast as they are required. One of the advantages of adopting the sovereign as the standard gold coin of India, will be that, as it is the sole standard coin of the rest of the British Empire, it may be imported ready for use; but this advantage will be in a great degree lost if the principal Australian gold field is unprovided with a Mint.

Major Ward, the Master of the Sydney Mint, wrote to me in February last,—“Your acceptance of our coin, or, as it then will be, the imperial sovereign, as a legal tender in India, would increase our work, and we could produce for your circulation alone some £4,000,000 sterling per annum; and if a Mint be established at Melbourne, three times that quantity.” This supposes that nearly the entire annual produce of the Australian gold fields would be coined and sent to India. Such, I believe, would be the case, if a Mint were established at Melbourne, and if the legal restrictions existing in India and Australia were removed. The proximity of Australia makes that country the natural source of supply for the east, as California and Russia are for the west.

The produce of the Australian gold fields has of late years shown a decided tendency to fall off. Universal experience proves that, owing to the nicely balanced state of the market for the precious metals, they are not a fit subject for an export or import duty. The steady diminution of the gold supplied from the Victorian fields will be seen from the following extract from the Report of the Registrar General of the Colony on the quantity of gold exported during the last twelve years:—

Year.		Ounces.	Value. £
1851	...	145,147	580,587
1852	...	2,724,933	10,899,733
1853	...	3,150,021	12,600,083
1854	...	2,392,065	9,568,262
1855	...	2,793,065	11,172,261
1856	...	2,985,669	11,942,783
1857	...	2,761,528	11,046,113
1858	...	2,528,188	10,112,752
1859	...	2,280,676	9,122,702
1860	...	2,156,601	8,626,642
1861	...	1,967,420	7,869,758
1862	...	1,658,285	6,685,192

And it appears from another source that during the first half of 1863 gold was exported only to the value of £3,298,936, which shows a still decreasing rate.

Assuming the basis of the change to be that the sovereign and half-sovereign are to be made legal tender in India, the only remaining question is how they are to be rated in reference to the rupee.

Certain general principles may be confidently laid down.

The first and most essential of these is, that the rate fixed should be rather below than above the present price of gold. The danger to be avoided is an undue interference with existing contracts. If the rate were fixed too high, debts could be paid with a smaller value than that for which they had been contracted; silver would be practically demonetised; a large quantity of gold would be suddenly required to carry out the change; and the result apprehended by the Calcutta Chamber of Commerce would be realised, "of great derangement in the commerce and finance of India, and probably also in the money markets of Europe." The rest would right itself in time; but the fraud committed upon creditors would be irremediable, for, when contracts have once been interfered with by an alteration of the measure of value, there can for them be no return to the former standard. On the other hand, the worst that could happen from rating the sovereign too low, would be that the operation of the measure would be retarded; but no other harm would be done, and the object might still be attained by a revised rating in which the sovereign would be placed somewhat higher.

The sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia.

It is very desirable that the rate should, if possible, be so fixed as to avoid an inconvenient fraction. The countless repetition of the calculations involved in the existence of such a fraction would seriously detract from the advantages of the measure. For a long time the exchange between India and England has been so near two shillings for the rupee, that this has been fixed, from year to year, for the adjustment of the accounts between Her Majesty's Indian and Home Governments. The same rate has been adopted in the financial accounts, and

is extensively used in private transactions. The public mind is therefore already accustomed to this rate of converting the rupee into sterling, and it is in itself the most convenient possible. It offers the following simple decimal proportion :—

$$\begin{array}{rclcl} \text{£1.00} = \text{£1, or one sovereign} & \dots & \dots & = & \text{Rs. 10} \\ \text{.50} = 10\text{s., or half-sovereign} & \dots & \dots & = & \text{,, 5} \end{array}$$

The Madras Fanam, which, not long ago, was the favorite coin of the south of India, was worth Rs. 5-6-6. When Mulraj was besieged in Mooltan, being short of silver to pay his troops, but having forty lakhs of rupees hoarded in the gold, he coined the whole of it into pieces which passed for one Rupee. These have since been in great request.

Sir C. Wood attached so much importance to the possibility of adopting a convenient mode of converting the sovereign into rupees, that, in a Despatch dated the 2nd of May 1861, he stated the question of the introduction of a gold currency into India as depending upon it,—“ I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India (as it is, I believe, in Ceylon) ; but at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign. If, by any change in the relative value of the two metals, a sovereign and 10 rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India ; but at present it can only be taken at its value as gold, and that value will vary from time to time, according to the demand at the moment for that metal.”

The reform of the currency of the West India Colonies was much facilitated by what Mr. Arbuthnot, calls “ a fortunate coincidence of principle and convenience,” i. e., the rating of the Spanish and Mexican dollar for circulation at 50*d*. This valuation afforded a simple rule for the “ conversion of the dollar into the denomination of British money, and it equally facilitated the conversion of British money into the decimal system of account founded on the dollar, as the half-penny represented the 100th part of that coin.”

I am disposed to think that, although a sovereign and 10 rupees have not become of equal value, they have sufficiently approximated to allow of an auxiliary gold currency being successfully introduced at that relative valuation.

We have seen that, for the ordinary computations of public and private transactions, the sovereign and 10 rupees have actually been accepted as being of the same value.

A rupee contains 165 grains of fine silver, which, at 5s. per ounce of standard silver, is worth $1s. 10\frac{3}{10}d.$ This was the official valuation of the rupee, according to the prices prevailing in the London market before the gold discoveries. In the years 1862 and 1863, the average price of bar silver in the London market was $5s. 1\frac{3}{8}d.$, at which rate the rupee is worth $1s. 10\frac{3}{10}d.$

But the real practical question is, not what the rupee is worth in London, but what it is worth at Calcutta. According to the calculation

Appendix No. 8, page 252. contained in the valuable paper in the Appendix, entitled "Remarks on the importa-

tion of bullion into India with quotations," which has been kindly furnished to me by Mr. Dunlop, the Manager of the Calcutta Branch of the Agra Bank, $5s. 1\frac{3}{8}d.$ per ounce cost in London gives the rupee at Calcutta at a cost of $24.05d.$, after computing freight, insurance, brokerage, &c., at $3\frac{1}{4}$ per cent., and duly allowing for the Mint seignorage.

Mr. Dunlop elsewhere says,—“If a gold currency were to be introduced into India, and the Calcutta Mint purchasing price was fixed at the same figure as that of the Bank of England, £3-17-9, or Rs. 38-14-0 per ounce, or Rs. 14-9-3 per tolah, an importer from Australia would obtain his coin at a cost of $2s. 0\frac{7}{16}d.$ per rupee from Sydney, and $2s. 0\frac{5}{16}d.$ per rupee from Melbourne, whilst an importer from England would obtain his rupee at a cost of $2s. 0\frac{3}{4}d.$

“The importers of coin, if the sovereign were accepted in India as a legal tender for 10 rupees, would obtain their rupee at $2s. 0\frac{3}{4}d.$ from London, and at $2s. 0\frac{7}{16}d.$ from Australia.”

As the experience of practical men is of the highest value in such a question as this, I have inserted in the Appendix a letter from the Hon'ble Claud Brown, of the house of Jardine, Skinner, and Co. The facts stated in this letter furnish reliable data; but Mr. Brown will judge, after reading this Minute, how far his inferences ought to be modified.

Australian sovereigns can be laid down in Calcutta at Rs. 10-2-9 each. The actual rates at which they were sold, from the 6th of January 1859 to the 8th of June 1864, will

Appendix No. 8, page 259.

be seen in the Appendix. They vary from

Rs. 9-15 to Rs. 10-10. The average of the year 1859 is Rs. 10-5-4½; of 1863 Rs. 10-3-5; and of the first six months of 1864, Rs. 10-1-4. The latest information I have is contained in the following extract from a letter from the Hon'ble Claud Brown, dated Calcutta, 28th of June:—
 “The arrivals of gold in this market still continue so much in excess of demand that 22 carat fine is not saleable at better than Rs. 14-7 to Rs. 14-7-6, a price which would admit of the sovereign being turned out at the Mint at the required cost of 10 rupees.”

It will be seen from the interesting papers which form the first number of the Appendix, that the rates at which the sovereign passes in Upper India scarcely exceed those which prevail at the Ports. This is explained by the fact that gold is so much easier of transport than silver, that its relative value to silver is rather less at Lahore than it is at Calcutta.* It will also be seen that every body is agreed at Delhi, Lahore, and Umritsur, that the sovereign ought to be made a legal tender at 10 rupees.

In Australia a duty of 1s. 6d. is payable at the Customs for every ounce of gold exported, for which a duty of 1s. 3d. for every ounce of standard fineness is substituted upon that portion of the gold which is brought to the Royal Mint at Sydney. This difference is intended to equalize the charge upon two descriptions of metal; the raw gold, as produced from the mines, being considered generally better than standard gold to the extent of 3d. per ounce. Besides this, a charge is made at the Sydney Mint for melting, assaying, and coining, of one per cent, upon quantities below 1,000 oz., and of ½ per cent. upon larger quantities. If it shall be determined to adopt an alternative legal tender of gold and silver in India, hanging on an uncertain balance, the expediency of maintaining these charges will probably be re-considered. No revenue, which the Australian Colonies are likely to obtain from them, can be compared with the advantages they would derive from the unlimited demand for their great staple, which would be the consequence of its really becoming a component part of the currency of India. The 1s. 6d., or 1s. 3d. the

* This opens to view another important result of a gold currency. Combined with railways and the paper currency, it will have a great effect in equalising the internal exchanges. The substitution of gold and paper money for the cumbrous silver medium will also allow of the public expenditure being carried on with a smaller average balance, and a large amount of silver will be thereby set free.

ounce, is an ordinary export duty upon gold, treated as an article of merchandize. The additional Mint charge of 1 per cent. was described by Mr. Miller, of the Bank of England, in his evidence before the Select Committee on the Sydney Branch Mint, as "very extravagant indeed."

The establishment of a regular trade, embracing England, India, and Australia in a connected process, would also somewhat reduce the price of gold in India and would give increased steadiness to it. Up to the moment of its absorption into the currency, every ounce of gold which reaches the shores of India is an article of merchandise, affected by all the conditions which influence commercial transactions; and it is a well known rule that, while high profits are necessary for isolated, exceptional, one-sided operations, a low average rate suffices for a settled trade, in which several profits and freights are obtained in a connected series.

While Australian sovereigns can now be laid down at Calcutta at Rs. 10-2-9 each, English sovereigns can only be delivered at Rs. 10-4-10. This shows how completely this is an Indian and Australian question in its practical details. Although England is deeply concerned, it is only through the interest she has in her commercial and other relations with India and Australia.

After making all these allowances, the sovereign at 10 rupees would probably still be undervalued as compared with silver; but the use of gold as money is attended with so many advantages, that it would, notwithstanding, be preferred in all but petty transactions. If I am right in this conclusion, the object we all have in view will be attained. When sovereigns are tendered at 10 rupees, creditors will get something more than they are entitled to, and yet sufficient motives will not be wanting to maintain sovereigns in circulation.

My proposal, therefore, is, that sovereigns and half-sovereigns according to the British and Australian standard, $\frac{1}{12}$ ths fine and £3-17-10½ an ounce coined at any properly authorized Royal Mint in England, Australia, or India, should be declared legal tender in India at the rate of one sovereign for 10 rupees; and that the Indian Mints should be open to the receipt of gold bullion on the above-mentioned terms, to be re-delivered in coin at a charge merely sufficient to cover the cost of manufacture, which is much below the present charge of 1 per cent. The Mint charge on silver should be maintained at the existing rate

of 2 per cent. The Government currency notes would be payable either in rupees, or in sovereigns at the rate of 10 rupees. No bullion, either gold or silver, should, for the reasons already explained, be received in exchange for notes.

Mr. Claud Brown remarks,—“That under such an arrangement, sovereigns would be readily and rapidly received into general circulation, I have little doubt, but the first and most essential condition is, that some one must provide the sovereigns, and my difficulty is, that I do not think it can be done at the price.” My answer is, that gold, in general, and the sovereign, in particular, are already provided in vast quantities, and that the motives which have produced this great importation are likely to be increased by making the sovereign a legal tender at 10 rupees.

The view I take has rendered it unnecessary for me to enter upon some considerations, which have usually been much dwelt upon in the discussion of this subject.

Concluding observations.

I freely admit the hoarding propensities of the people of India, arising from habits induced by ages of misgovernment. The Government of India has been a still greater offender, owing to the enormous cash balances held by it, which, taken together with the numerous and large reserves kept by the Native States, probably amount to more than is hoarded by all the ryots and other private persons throughout the country. Mysore, which is under our own management, had upwards of £1,000,000, until a portion of it was lately invested in Government Securities; the petty principality of Kirwee had a treasure amounting to more than £600,000, which was never heard of until it was captured by our troops; Saadat Ali's Lucknow treasure was about £8,000,000; and the third-rate State of Scinde had £470,000. These last have disappeared; but their recent existence is illustrative of the prevailing practice of Native States.

I also entirely agree with the position which has been so clearly established by Captain Lees in his valuable and interesting book on “The Drain of silver to the East, and the currency of India,” that, partly owing to the change from a Native to an European form of Government, partly to the substitution of money for barter in remote districts, but chiefly to the general increase of prices and wages and the vastly augmented amount and number of transactions, the requirements of India

for coin for currency purposes are only beginning to be felt, and that, notwithstanding every aid that can be given by the extension of paper money and credit, the ultimate demand will exceed any thing of which we have yet had experience.

The channels of circulation, according to the actual habits of the people and their existing modes of transacting business, have, for the moment, been filled by the enormous amounts of silver which have, of late years, been poured into the country, and this is one of the causes of the great increase in prices which has taken place. Nevertheless, the craving of this great population for the precious metals remains unsatisfied, and silver and gold are the only articles they are willing to accept in unlimited quantities in return for their immense supplies of valuable produce. The basis of the question is, therefore, a mercantile one, and it is only incidentally a monetary one. The people of India *will* have the precious metals in return for their produce; and the point for decision is, whether, owing to our Mint Regulations, their demand shall continue to fall in undue proportion upon silver, or shall be proportionally divided between silver and gold; the value of the annual production of gold being two and a half times that of silver, and gold being about fifteen times more efficient, as a circulating medium, than equal quantities of silver. I mean that, if a given price has to be paid, the quantity required to be used will be less by about fifteen times if it is paid in gold, than if it is paid in silver.

When the power which India has of absorbing the precious metals shall be turned in equal proportion in the direction of gold, there will no longer be any solid ground for apprehending a progressive depreciation of the value of that metal throughout the world. The new demand for gold will then be fully on a level with the new supply. I agree with Mr. Jevons in thinking that "the ultimate effect of the late gold discoveries will be to render gold more than ever the pre-eminent and natural standard of value. The greatly multiplied mass of gold in use, the increasing area of production, and the greater variety of nations which share in its production, will finally render it far more steady in value even than it has been. In becoming more abundant, gold will become more than ever the natural international currency, by the flow of which the balances of the exchanges of nations will be adjusted. It will become more generally the money of the world."

C. E. TREVELYAN.

APPENDIX No. 1.

*From J. C. PARRY, Esq., Delhi Bank Corporation, Limited, to the
HON'BLE SIR C. E. TREVELYAN,—dated 5th May 1864.*

Before replying to your letter, I thought the subject of a gold No. 1. currency of sufficient importance to invite the principal Native bankers and dealers to a conference on the subject this morning. I will not trouble you with the variety of opinions advanced; but the general feeling, in which I concur, is, that there will be no doubt of the success of the scheme, provided gold be the standard and not a subsidiary currency. Several of us think that it may be left optional to pay up to Rs. 100 either in gold or silver, but one banker, who is very intelligent and has agencies in every large town in India, thinks that payments in silver should only be legalized as fractional parts of a sovereign. This will show you how anxious the people are to have *gold* as a currency, and they are confident of success, if freely received and paid at all Treasuries. I still think that for five years or so, till the silver is absorbed in the country, which it will be in the manufacture of jewellery and deposits under ground, silver may be made legal to the extent of Rs. 100 or 200.

The *sovereign* is considered the most convenient coin and in general favor.

As far as we can judge, from £250,000 to £300,000 in sovereigns have been received in Delhi, and two-thirds remitted to Umritsur and the Punjab, the remainder used in ornaments and brocade work. The market value fluctuates almost daily, ranging from Rs. 10-1 to Rs. 10-5 each; the rate to-day is Rs. 10-1-6. Two days ago it was Rs. 10-2.

Seeing the difficulties into which the country may be thrown for want of a gold currency and the readiness of the people to receive it, I would beg leave to venture the hope that no half measures be adopted, or, as in 1833, it will probably prove a failure.

There seems to all practical men no injustice whatever, when the magnitude of the question is considered and its importance to the

- o. 1. well-being and advancement of the empire, that all contracts and engagements existing should be legalized in gold at the equivalent of Rs. 10 to each sovereign.

It seems to me that holders of Government Paper and Securities of every kind will rather benefit by this arrangement, inasmuch as gold will be more valuable than silver, till an absorption of the latter takes place, and *then*, if silver should for the nonce rise in value, fresh importations will keep it at an average rate.

From MR. NEALE PORTER, Scinde, Punjab, and Delhi Bank Corporation, Limited, Umritsur, to SIR C. E. TREVELYAN,—dated 20th May 1864.

At the request of Mr. Macleod, the Manager of this branch has lately been collecting information about the gold coinage known and in use here. All the particulars he has obtained will, no doubt, with much official information, reach you through the Financial Commissioner. I will merely state this much, viz., that two days ago I had at the Bank a great gathering of city notables, town councillors, Honorary Magistrates, &c., men all interested in trade and banking; and on the same day an equally numerous attendance (of course by invitation) of Marwarries and bankers generally.

I told them that, for the general convenience of trade and commerce, and for the good of the empire at large,—for they must understand all creation did not consist of merchants and shroffs,—the Government had determined to extend, by a system of circles, the Government paper currency, and, in addition, to establish a gold coinage, which should be a legal tender; that this gold coinage was not to displace, but to assist, the silver coinage, and that it would be gradually issued; that it was to be introduced because it was impossible the increased and increasing transactions connected with the enormous agricultural and commercial (internal and external) business of the country could continue to be carried on satisfactorily unless assistance was given to the one silver currency.

“If,” I remarked, “a man has a cart heavily laden with grain and cotton, and his horse can no longer draw it, he hooks a donkey on to help,

and the cart and its valuable load get to market. Now, the trade of No. 1. India is in that condition ; it requires the gold coinage to be hooked on to help the silver currency."

My homely illustration had much effect.

To sum up—the wealthy and intelligent Native bankers and merchants here are quite satisfied as to the goodness of the intentions of the Government in this matter ; and although they may not see as clearly as we do the urgent necessity of the measure in question, and are by nature disposed to let well alone, they will most willingly and cheerfully see a gold currency supplementary to the present silver currency introduced ; and, I may add, they are quite alive to its numberless minor conveniences and advantages. The coin they would prefer is the sovereign ; it is to them an old acquaintance, hitherto consigned to the melting pot, but they quite understand the more dignified position it will take when made a legal tender for a given number of rupees. They do not seem to care about the half and quarter-sovereign, but I think these might at once be introduced with advantage. Sovereigns are now selling here, scarce as money is, at Rs. 10-3, to be made into ornaments after the extraction of the alloy, but as soon as they got into general and extensive use as a circulating medium, they would never, I think, be at a premium, except for exchange purposes.

From MR. L. C. PROBYN, Deputy Auditor and Accountant General for the Punjab,—dated Lahore, 20th May 1864:

When you spoke to me about making the English sovereign a legal tender in this country, and asked me to ascertain the probable effects of the measure in the Punjab, I was in hopes that I should have an opportunity of consulting some of the Umritsur bankers on the subject. I am sorry to say, however, I have been unable to go over to Umritsur, and my enquiries have therefore been confined to the bankers of Lahore.

Of course the market value of the sovereign up here fluctuates considerably. So far as I have been able to ascertain, it sometimes, though very rarely, gets down to Rs. 9-14 ; and sometimes, though very rarely, gets up as high as Rs. 10-8 ; but its general price is Rs. 10-4, 10-5, or 10-6. The present rate is Rs. 10-4. The fact appears to me that though gold up here is in itself more valuable than gold in Calcutta,

- No. 1. just in the same way as silver is its *relative* value to silver, which constitutes its *money* or *market* value, is a trifle less here than in Calcutta and Bombay. The immense amount of gold which has lately been imported into the Punjab is not owing to gold being worth more money here than there, but to money itself being dearer, and to gold, which has moreover peculiar facilities for being converted into money, being so much easier of transport than silver. To illustrate my meaning—the banker who last February got up 5,000 sovereigns from Bombay to Umritsur, did so, not because those sovereigns were worth more rupees in Umritsur than in Bombay, but because the rupees they were worth in Umritsur were of greater value to him than the same, or even a little larger, number of rupees in Bombay. I mention this because I think you talked of the sovereign being dearer here than in Calcutta and Bombay. On some occasions, indeed, the sovereign, with all other gold coins, acquires quite a fictitious value. I was told that when Lord Canning was up here, gold coins were in so great demand for nuzzurs, &c., that the sovereign rose even beyond Rs. 10-8, but of course this was purely temporary; and immediately the durbars, &c., were over, the sovereign went down very low.

It is difficult to say what the precise effect of the introduction of the sovereign, as a legal tender, will be in the Punjab. It is, however, I think, certain that if the plan be successful in the Presidency cities of Calcutta and Bombay, it cannot fail to succeed up here. I mean that if you succeed in establishing a large gold currency in those cities, the drain of gold up to these parts will, in a very great measure, supplant the drain of silver that has been taking place during the last few years. (The Government alone has been importing into the Punjab more than 50 lakhs of rupees, £500,000 worth of silver per annum, and this in addition to immense importations by private parties.) Even now, although there is no gold coin a legal tender, the convenience of importing gold is so great, that large quantities are brought up,—much more, I suspect, than the actual requirements for ornaments, &c.,—or rather, I should say, were brought up three or four months ago; the demand for money up here has quite gone down, as you can see by the result of our sales of supply bills on Calcutta. In fact, the people themselves are establishing a gold currency, an inconvenient one, however, because its value fluctuates. The facilities for keeping and for carrying about gold coins are very great, and they are therefore very popular with all classes.

From D. F. McLEOD, Esq., C. B., *Finl. Commr. in the Punjab*, to SIR
C. E. TREVELYAN,—dated *Lahore, 24th May 1864.*

I have deferred replying to your letters until I could reply with No. 1. some confidence in regard to the prospects of a gold currency if introduced here, and I now proceed to reply to your several queries, in the order in which you have asked them.

First.—Whether a gold currency, in addition to the existing silver one, would be acceptable? This is a question to which it is exceedingly difficult to elicit a satisfactory answer, as the ideas, even of the banking classes, are exceedingly hazy on the subject; and in so far as I can penetrate their thoughts, they cannot realize the effects likely to spring from gold being declared a legal tender, at a fixed value with reference to the rupee. Assuredly, however, they evince at present no dislike or apprehension when the suggestion is made to them, but, on the contrary, seem rather to like the idea of gold becoming abundant, from whatever cause. They seem incredulous as to the possibility of the relative value of the two metals being maintained at an absolutely uniform rate by the fiat of authority, instancing, as proof to the contrary, the fact that, although we issue copper at the rate of sixty-four copper pice for the rupee, their money-changers invariably realize batta, on giving change for a rupee, and the amount of this batta varies with the abundance, or otherwise, of copper current coin available in the market at the time. The same, they conceive, must take place, when change is given for a current gold coin, and they are probably not far wrong; but past experience does not lead them to anticipate that the fluctuations in relative values will ever be very great or permanent.

Secondly.—What form and value would be most suitable for the gold currency? They all unhesitatingly prefer the sovereign at 10 rupees, and half-sovereign at 5 rupees, both here and at Umritsur. The quarter-sovereign they do not seem to fancy much. Their reasons for the above preference are, that it is the coin now most familiar to them, being by far the most abundant and almost the only one now employed systematically for equalizing the exchange; and that, as their system of enumeration is by decimal progression like our own, (though the fractional portions of the coins, weights, and measures are not so graduated,) this value of coin will be more convenient than any other. It is also a handy and hardy description of coin, the merits of which, in this respect, they appreciate.

No. 1.

I will now proceed to enumerate the several kinds of gold coin now circulating in the Punjab. There are some varieties, of old coins chiefly, procurable to some extent, but so comparatively rare that they need not be taken into account:—

Serial Number.	Popular Name.	Weight in Tolas,* Mashas, and Ruttees.	Present Value.	Alloy in Ruttees (1-96) per Tola.	REMARKS.
1	Bo'hara Tila (old) ...	T. M. R. 0 4 4	Rs. A. P. 5 6 0	5 Ruttees	These coins are imported exclusively by Cabool merchants to an average extent of 10 to 20,000 pieces per annum, or upwards; the new description being now the most abundant. These coins used formerly to be largely melted down, but this is not now the case. Some are probably hoarded, but the greater number are said to be sent from hence towards Mooltan, whence it is believed that they largely find their way back to Cabool.
2	Bokhara Tila (new)...	0 4 4½	6 7 0	4 Ruttees	
3	Babookhani Tila ..	?	4 12 0	?	This coin is mentioned by Mr. Melvill as a Persian coin, but was not mentioned by my informants. The entire yearly import appears not to exceed 1 or 2,000. There is also a Kokani Tila, equally rare.
4	Balkhi (old) ...	0 3 4	5 8 0 (if entire)	4 Ruttees	The import of these is now very inconsiderable. What is imported comes chiefly from Calcutta or Bombay; some are said to come from Shikarpoor, and some are brought into circulation from old hoards. They are chiefly valued for necklaces, and realize Rs. 19-4 per tola, being much above their intrinsic value, but are usually so much cut about, that they usually sell by weight, and not by the piece. Much of what reaches Lahore is said to go on to Jummoo, where the Maharajah is believed largely to hoard them.
	Balkhi (new) ...	0 3 4	5 2 0 (if entire)	6 Ruttees	

Russian Mohur? ...	0 6 4	8 4 0	9½ Ruttees	Mr. Melvill speaks also of an Austrian Bulghi, but what this may be, I am not aware.
				This, like the Tilas, is introduced exclusively by Cabool traders, to the extent of 5 to 10,000 per annum; though, of late, it has come in to a smaller extent than heretofore. The whole of what is brought is said to be melted down, as the large quantity of alloy in this and the other European coins depreciates it in general estimation in comparison with the rest and below its intrinsic value.
				Some information in regard to the gold coins imported from Cabool and the countries beyond will be found in Appendix No. 1 to Mr. Davies' Report on the trade with countries beyond our North-Western Frontier, where, it is said, that two lakhs of rupees' worth of Butkies, or Venetian Ducats, are exported yearly into Hindoostan; but I fancy the above coin and the Bokhara Tilas are really intended, and not the Bulghi, which, now, at all events, appears never to be imported from that quarter, unless what is said to come from Shikarpoor may be so considered.
7 Old Kaldar Mohur, or Asharfee.	1 0 3	20 4 0	Pure	This is exclusively used for necklaces, &c., and so much valued for this purpose, that it sells for Rs. 2-12 above its intrinsic value. Being no longer coined, it is more than ever appreciated, and it is said that 2 or 3,000 are bought and sold annually in Lahore and Umritsur.
				Besides the foregoing old gold mohur, Mr. Melvill enumerates in his list 9, the Mahomed Shāhi, or Delhi Mohur (No. 9), the Nanak Shāhi, or Seikh Mohur (11), Lucknow Mohur (12), and Runjit Singh's Mohur (13); others might be named, but they are so comparatively unfrequent that they need not be specially noticed.

* 8 Ruttees = 1 Masha.
12 Mashas = 1 Tola.

No. 1.

Serial Number.	Popular Name.	Weight in Tolas, Mashas, and Ruttees.	Present Value.	Alloy in Ruttees (1·96) per Tola.	REMARKS.
8	Jeypore Mohur ...	T. M. R. 0 10 7	Rs. A. P. 16 0 0	¾ Ruttee	In Runjit Singh's time large quantities of these were introduced; their great purity securing for them high estimation, and moneyed men used largely to send gold to Jeypore to be coined. It is now only brought in by travellers, or when the balance of trade with Jeypore is much against Lahore. Probably 2 or 3,000 pieces on an average may be bought and sold during the year.
9	British Indian Mohur	0 11 5½	15 3 0	9½ Ruttees	This is largely melted down, so long as the price does not rise above Rs. 15. The amount imported depends mainly on the state of exchange, but does not ordinarily exceed 2 or 3,000 per annum. It is imported chiefly from Calcutta. The new and old issues are alike in value, &c.
10	British Sovereign ...	0 8 0	10 3 0	9½ Ruttees	These are now by far the most largely imported gold coins, and, like all the European varieties, the large quantity of alloy depreciates them in popular estimation, so that their market is less than their intrinsic value, and they are in consequence largely melted down for ornaments, &c. The quantity imported depends almost entirely on the state of exchange, which reacts on its selling value. When Government is selling its Bills at 1½ or 2 per cent. discount, sovereigns, specially those of Australia, and half-sovereigns, are largely imported. Of late the exchange has been at par, and their import has entirely ceased. It is now rising, and as their selling price in Calcutta is said to be Rs. 10-1-6, while here it is Rs. 10-3-0, they will flow in rapidly. In the cold weather their value falls to Rs. 10, and at times it rises to Rs. 10-4.
	Australian Sovereign	0 8 0	10 3 0	9½ Ruttees	At least ten lakhs of rupees' worth are said to be imported on an average during the year, and they are pretty widely disseminated through the province.

Besides gold coins, gold is imported in the several forms of gold No. 1. dust, thin sheets, nuggets, and bars or bricks.

Of the former, or gold dust, Mr. Davies (*vide supra*) says, that Rs. 1,80,000 worth is imported annually from the mountainous parts of Tartary and the banks of the Oxus. A small quantity is produced in the Punjab, and large quantities are doubtless imported from Australia and other countries.

Of gold plates, those stamped No. 100, contain 1-96 of alloy, those marked No. 90, 1-24; and some 20 or 30,000 tolas weight per annum are said to have been imported of late years, though recently their import has fallen off.

The quantity of gold in nuggets and bars annually imported I have not ascertained, but the import of all these is from Calcutta, and dependent on the state of exchange. While Mr. Melvill's list of gold coins bought and sold during the year shows an aggregate value of Rs. 17,14,930, my informants at Lahore assure me that the yearly value of gold in all shapes, bought and sold at Lahore and Umritsur, amounts to two lakhs of tolas, or Rs. 34,00,000 in value.

The average selling price of gold seems to be from Rs. 17-2 to 17-4 per tola, and in the long run it appears to have always kept pretty steadily at this, although it is always subject to periodical rise and fall, and to more considerable fluctuations when special disturbing causes occur.

In the cold weather, owing to large importations from Cabool and elsewhere, it always falls. Thus last year it fell as low as Rs. 16-12.

During Holkar's invasion in 1862 Sumbut, it is said that all his expenditure was carried on in gold, and it fell in consequence to Rs. 14-6 per tola. In Maharajah Shere Singh's time, the desire for hoarding raised its value to Rs. 18-8. After annexation, when Government sold off the gold collected in the Durbar Toshakhanah, the value of gold fell to Rs. 16. In the great famine of 1840, its value is said to have risen to Rs. 20 per tola, and to have been largely conveyed to Jummoo in exchange for grain.

During the Governor General's visit in 1860, when nuzzurs were in demand, the old Kaldar Asharfee is said to have sold for Rs. 24.

No. 1. The conclusion which I draw from the foregoing is, that, with the exception of what is brought into the Punjab or Sindh from Cabool, which is brought by the Lohani and other merchants, as being the most portable article available, all the gold which finds its way into the province is brought to equalize the balance of exchange, being procured by bankers with the utmost facility and confidence by Dawk Banghy Parcels, showing how much more available our cash balances would be if a gold currency were introduced, and how greatly the general adoption of a paper currency would be facilitated.

I gather, too, that in the long run the relative value of gold as compared with silver has continued surprisingly uniform—no sensible deterioration having resulted from the large importations now taking place from Australia. I have no doubt whatever that a much larger quantity of gold is used for making up jewels than formerly, but much less is hoarded.

I have not sent you specimens of any of the foregoing coins, as I think it probable that most of them you will be quite indifferent about seeing. If, however, you will mention which of them you would like to see, they shall be immediately sent.

In the mean time I send you one of Mûlrâj's gold rupees, which you particularly wished for. It was some time before I succeeded in getting it, as they are now very rare. He had in Mooltan some 40 lakhs of rupees hoarded in gold, and being short of cash wherewith to pay his troops, he is said to have coined the whole into these pieces, which passed for one rupee. On one side the legend is Sat-Gûr-Sahai, and on the other an emblem which I suppose is intended for a spear-head, with the Sumbut year 1905 above it and a legend below, which reads like Sûndar Kâl.

On receiving your letter, I wrote to Mr. Melvill, the Commissioner at Umritsur, which is our great commercial mart, to make enquiries for me and report the result, while I made others independently here. I annex in original the memorandum and list which he has sent me, which contain more details than I have given you afore.

Memorandum on Gold Currency by P. S. MELVILL, Esq., Commr. at Umritsur,—dated 20th May 1864.

I convened about a dozen of the best informed merchants and No. 1. shroffs of Umritsur on the 19th instant, and made enquiries from them regarding the introduction of a gold currency in *addition* to the silver currency.

2. They were decidedly in favor of the measure, provided it was introduced generally. The bases of the measure must, I told them, be—

1st.—That Government would take payment in either coin at the option of the payer; the Government, when in the position of payer, exercising the like option.

2nd.—That gold would be a legal tender equally with silver at the option of the payer.

3. As to the form of the gold coinage, it was immediately decided that the sovereign was in every respect the most desirable, whether as regards its sterling value or as regards its exchange value. It was also thought without hesitation that the sovereign should be a legal tender for Rs. 10. Half and quarter-sovereigns were also thought necessary; but the quarter-sovereign was evidently named in an uncertain way, under the idea that if Government chose to coin it, they might as well have it.

4. A Statement of the gold coinage at present in the market is annexed. From this it appears that sovereigns to the value of a lakh of rupees are imported into Umritsur each month from Calcutta; and that the total value of the gold coins brought to the Umritsur market yearly is Rs. 17,14,930. (See paper of calculations appended.)

5. This value is about four times what it was in the Sikh time, and is to be attributed to the general increase of trade; the demand for gold having increased with the demand for commodities generally.

6. The tables, however, have been completely turned against Cabool, whence the mass of gold was procured in the Sikh times. The facilities of communication with Calcutta and Bombay, which are freely supplied from Europe and Australia, have given the precedence to those markets in the supply of gold.

No. 1. 7. The general demand for gold which is now ascribed to the zemindars is a very satisfactory proof of the progress of the country in wealth.

8. No doubt that the greater freedom with which jewels and prosperity are now openly displayed has a good deal to do with the augmented desire for gold, apart from the advance of the people in material wealth.

9. It would appear that, in the event of a double currency being established, a large quantity of silver will be brought to the surface in lieu of the gold that will be hoarded. Facilities will also be offered to trade, which at present, so far as I can learn, derives no assistance whatever from the presence of gold. In other words, gold is nowhere used in the Punjab as a medium of exchange.

10. The evils of a double currency being a single standard value are not likely to be seriously felt in this country, so long as the universal love of hoarding and ornaments continues, provided only that the sovereign be declared a legal tender for Rs. 10. Exchange operations would of course be carried on as at present, subject to the fluctuations of the market, the holder of silver desirous to change it for gold being obliged to meet the requirements of the holder of gold, and *vice versa*. The demand for the precious metals is likely to continue for some time to meet the balance of trade in favor of India. The most acceptable form is that of money; and it would appear that the sovereign will be taken as readily as the rupee, provided it has a fixed value assigned to it as a legal tender.

*Statement of Gold Coins in the Umritsur Market,—dated the 20th
May 1864.*

1. *Sovereign*.—Sterling value, Rs. 10; average selling price, Rs. 10; monthly import from Calcutta direct, 10,000 sovereigns, received by mail cart by daily packages. The sovereigns have been imported at this rate for the last four or five years; merchants import them and sell them to shroffs, who pay for them after eleven days from time of purchase. The merchants pay for them by Government Bills or Hoondees on Calcutta. The shroffs distribute the largest proportion to different towns, as Lahore, Wuzeerabad, Sealkote, and the like, and a large

quantity is taken to Jummoo. The chief use made of the sovereign No. 1. is for conversion into bullion, for ornaments, and wire for working. The zemindars in villages are large purchasers for the former object. The sovereign is also used extensively for hoarding; silver coin being exhumed in favor of the more easily-kept gold coin. The Jummoo and Cashmere purchasers require it for wire-drawing principally. The Australian sovereign is imported as well as the English sovereign. No discrimination is exercised between them. Occasionally sovereigns are sent to Peshawur from Umritsur, but this only occurs when there is a lull in the flow of gold coins from Cabool.

2. *Bokhara Tilla*.—Sterling and selling value, Rs. 6-8: monthly importation into Umritsur, 2,000 coins from Peshawur. This and the Russian piece, (No. 3,) and the Babookhance mohur, are brought to the Peshawur market by the Cabool merchants, who have received them in payment for merchandize sold to the people of Bokhara and Persia. At Peshawur they sell them and procure Hoondees on Bombay, Calcutta, and other places. Some merchants carry the gold coins about with them in India, selling them at various places; but this is the exception. The Peshawur shroffs dispose of them partly by local sale for conversion into ornaments and for hoarding, and partly by transfer to Umritsur. The gold of the Bokhara Tilla is very pure, being next to the Jeypore mohur in this respect, and superior to the sovereign.

3. *Russian Gold Coin*.—(Name unknown, called "Roossee" by the Natives.) Sterling value Rs. 8-6; present selling price Rs. 8-6; monthly import into Umritsur, 1,000 coins from Peshawur; contains a great deal of alloy. These coins are disposed of all over the country, almost entirely for conversion into ornaments after being melted and after the removal of the alloy. (See preceding remarks.)

4. *Bootkee*.—(Belgium coin). (A.) Large.—Sterling value Rs. 5; selling price Rs. 5-10; monthly import 1,000 coins. This coin is chiefly brought out from old hoards. It was much approved in the Seikh time by chiefs for hoarding, and it is from their treasures that they now find their way into the market. They are not much melted, but are extensively used for ornaments, such as necklaces, &c.; the design being much approved. The principal purchasers are zemindars.

(B.) Small.—Monthly import, 200; sterling value, Rs. 4-14; selling price, Rs. 5; used as above, but not so much approved of.

No. 1. 5. *Jeypore Mohur*.—Sterling value Rs. 15-8 ; selling price Rs. 16 ; monthly import from Jeypore 500 coins. Is the purest coin of all, and varies but little in price at different places. Is extensively used by travellers, particularly sepoy on their journeys, and is also much converted into ornaments, after melting by zemindars.

6. *British Indian Mohur*.—Sterling value Rs. 15 ; average selling price Rs. 15 ; monthly import from Calcutta 200 coins. Is bought chiefly by zemindars, who get their money's worth in sterling gold, and is generally melted.

7. *Babookhanee Tilla*.—Sterling value Rs. 4-12 ; selling price Rs. 4-12 ; monthly import from Peshawur 200 coins. Is a Persian coin. (See remarks under No. 2.)

8. *Austrian Bootkee*.—(Name unknown.) Sterling value Rs. 5, and sells for the same ; monthly import 100 coins from Calcutta. Is suspended as an ornament, and is not melted.

9. *Mohur Mahomed Shahee*.—Sterling value Rs. 15-8 ; sells at Rs. 15-14 ; monthly import 50 coins ; chiefly procured from old hoards, and is bought by travellers.

10. *Furruckabadee Mohur*.—(A.) Old.—Sterling value Rs. 18 ; sells for Rs. 20 ; being much approved of for pendant ornaments. Monthly importations 50 coins.

(B.) New.—Sterling value Rs. 18 ; sells at the same ; monthly import 10 or 20 ; used for ornaments.

11. *Nanukshahce Mohur*.—Sterling and selling value Rs. 14 ; 10 or 20 coins find their way into the market each month. This is an "Ushrufce," and as such is available for presents at marriages, and for payment of dowry. Being cheap, it is sought after for this purpose. Is not melted for ornaments.

12. *Lucknow Mohur*.—Sterling and selling value Rs. 16-8 ; 10 or 20 are brought into the market each month. The gold is good, and it is converted into ornaments.

13. *Runjeet Singh's Mohur*.—Sterling and selling value Rs. 16 ; is very rare.

P. S. MELVILL.

APPENDIX TO MINUTE BY SIR CHARLES TREVELYAN. 199

Memorandum of Calculations.

1. Sovereign	...	10,000 × 10	= 1,00,000	× 12 = 12,00,000	No. 1.
2. Bokhara Tilla	...	2,000 × 6-8	= 13,000	× 12 = 1,56,000	
3. Russian Gold Coin	...	1,000 × 8-6	= 8,375	× 12 = 1,00,500	
4. A. Bootkee, Belgium Coin...		1,000 × 5-10	= 5,625	× 12 = 67,000	
B. Do., do. do.	...	200 × 5	= 1,000	× 12 = 12,000	
5. Jeypore Mohur	...	500 × 16	= 8,000	× 12 = 96,000	
6. British Indian Mohur	...	200 × 15	= 3,000	× 12 = 36,000	
7. Babookhane Tilla	...	200 × 4-12	= 950	× 12 = 11,400	
8. Austrian Bootkee	...	100 × 5	= 500	× 12 = 6,000	
9. Mohur Mahomed Shahee	...	50 × 15-8	= 775	× 12 = 9,300	
10. (A.) Old Furruckabadee Mohur	...	50 × 20	= 1,000	× 12 = 12,000	
(B.) New ditto	...	15 × 18	= 270	× 12 = 3,240	
11. Nanukshahee Mohur	...	15 × 14	= 210	× 12 = 2,520	
12. Lucknow Mohur	...	15 × 16-8	= 247-8	× 12 = 2,970	
Total	...	15,345		Total ... 17,14,930	

20th May 1864.

P. S. MELVILL.

Extract from a letter from the Kurrachee Manager of the Scinde, Punjab, and Delhi Bank Corporation, Limited, to the Managing Director in India,—dated 2nd June 1864.

“GOLD CURRENCY” has existed in Cutch for the last seven years. The coin is called “Koree,” and is of the value of Rs. 6-12 to Rs. 7. Cotton farmers take back the proceeds of their cotton from the ports of shipment in this currency, and it is sold by them to dealers in gold. Much of the gold coin has disappeared; some is supposed to have been melted, but the bulk to be buried and hoarded.

MEMORANDUM.

My opinion is, that the introduction of a gold coinage, *confined to the English London Mint sovereigns and half-sovereigns*, would be a highly beneficial and economical measure for British Burmah. When an Act of Parliament shall have been obtained, making the Australian sovereign, struck at the Sydney Mint, and which is of precisely the same assay as the London sovereign, a legal tender, then the Australian coin can be received into British Burmah at the same value as the other, but

No. 1. not otherwise, for at present the Australian sovereigns seldom sell for more than two annas each premium, while London sovereigns have gone up occasionally as high as eleven Rupees each, and usually hold a premium in this market of eight annas each, except when a large number is thrown suddenly on the market, as is sometimes the case during the height of the rice export season, when many ships from Europe are here together; even then, they seldom or never fall below a premium of four annas per sovereign. Such I know to have been the state of things from 1857 until now.

I would on no account introduce any other gold coins than the sovereign; others are unknown to the Shans and Burmese, who buy our manufactured goods, and I think it would in every way be preferable to introduce the English (and at the proper time the Australian) sovereigns only, rather than gold mohurs or any other gold coins that might be struck at the Calcutta Mint.

There can be little doubt, I think, that the effect of introducing a gold currency, limited as I have before said, would be to release much, if not all, of the hoarded and buried silver throughout British Burmah; by sovereigns being made a legal tender for all sums in excess of ten rupees, those who bring down large quantities of rice would be enabled, in a small compass and about their persons, to take back the realizations of their sales more easily than in rupees.

The effect upon trade generally, I conceive, would be decidedly beneficial in every way; I think it would partially check the improvidence of the Burman who thinks little of ten or twelve rupees for many purposes, but who would reflect somewhat before he changed or parted with his golden coins.

I think, moreover, it would be a measure favorable to the country, so far as its exchange operations are concerned, and by increasing the circulating medium, would ease mercantile operations generally at every busy and pressing season of the year.

To Europeans there can be no question that it will be a benefit. They, too, will reflect a little before parting with a sovereign or the half in gold, and as assuredly as the establishment of one or two Banks has done much for Rangoon, so do I believe that all such imperceptible yet real pressures to economy, as are to be found in the drawing of a cheque, —inducing as I say economy,—will be beneficial to all classes of the

community. I submit my views with the utmost deference, as the sub. No. 1. ject is one on which I write rather as a practical man in the business of life than as a Political Economist, to which science I have given no sufficient study.

RANGOON, }
20th June 1864. }

DONALD MACLEOD.

MEMORANDUM.

The question as to whether a gold currency is desirable for India generally, has been so fully discussed in the Presidency Towns, and the affirmative so well sustained, that it is not necessary to re-open that question here. Suffice it to say that British Burmah is no exception to India generally in this matter, and the introduction of a gold currency is highly desirable. This being admitted, I have no hesitation in saying that I consider the English sovereign the most suitable coin that could be introduced. In the first place, its appearance and intrinsic value are already well known to the community, (who buy great numbers of them to convert into jewellery,) and has therefore great advantages, or, at all events, is free from the disadvantages which attend the introduction, in a country like this, of a new and unknown coin. In the second place, its intrinsic value is considered here as a trifle over *ten rupees*, and I have no doubt when made a legal tender for that amount, it would be readily accepted, not only for currency purposes, or for conversion as above mentioned, but its comparative smallness of bulk and extreme portability would render it more highly prized than silver coin for hoarding, or conveying from place to place. In this way there can be no doubt it would set free much of the silver coin which has disappeared in past years, and which is doubtless stored away by the cultivators and others in the interior. The boon to commerce would be very great, for not only would it increase the circulating medium, but as the trade of the country is carried on entirely now by means of hard rupees, and must, for many years yet to come, be carried on by means of the precious metals, to make the sovereign a legal tender would be to substitute a light and valuable medium in place of a ponderous and unwieldy one,—a change the full value of which can only be fully appreciated by those who come daily in contact with the trouble and inconvenience connected with a silver currency.

RANGOON, }
27th June 1864. }

J. C. TODD.

No. 2.

APPENDIX No. 2.

Value of the Exports of Merchandize and Treasure from the several Presidencies of British India to the United Kingdom and other Countries in each year, from 1847-48 to 1863-64.

Value of the Imports of Merchandize and Treasure into the several Presidencies of British India from the United Kingdom and other Countries in each year, from 1847-48 to 1863-64.

Year.	Imports			Exports		
	Merchandize.	Treasure.	Grand Total.	Merchandize.	Treasure.	Grand Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1847-48	8,59,76,170	1,97,33,914	10,57,10,084	13,31,23,970	1,42,60,380	14,73,84,350
1848-49	8,34,48,042	4,20,45,033	12,54,93,075	16,08,85,018	2,53,97,425	18,62,82,443
1849-50	10,29,98,886	3,39,68,074	13,69,66,960	17,31,22,993	97,12,441	18,28,35,434
1850-51	11,55,87,888	3,81,18,088	15,37,05,976	18,16,41,496	54,12,891	18,70,54,387
1851-52	12,24,04,902	5,05,20,590	17,29,25,492	19,87,92,537	91,90,889	20,79,83,426
1852-53	10,07,08,616	6,83,13,776	16,90,22,392	20,46,46,330	1,05,52,299	21,51,98,629
1853-54	11,12,26,589	4,87,19,560	15,99,46,149	19,29,51,406	1,48,32,962	20,77,84,368
1854-55	12,74,26,704	2,02,82,582	14,77,09,286	18,92,72,234	1,26,70,346	20,19,42,580
1855-56	13,94,76,570	11,30,12,883	25,24,89,453	23,03,92,682	60,11,769	23,64,04,451
1856-57	14,19,45,867	14,41,36,988	28,60,82,855	25,33,84,531	1,25,34,280	26,59,18,811
1857-58	15,27,75,062	15,81,43,590	31,09,18,652	27,45,36,923	82,24,374	28,27,61,297
1858-59	21,72,85,790	12,81,70,709	34,54,56,499	29,86,28,710	66,94,275	30,53,22,985
1859-60	24,26,51,400	16,35,69,635	40,62,21,035	27,96,02,030	92,90,068	28,88,92,089
1860-61	22,72,00,471	10,67,93,506	33,39,93,977	32,97,71,739	1,11,26,857	34,08,98,596
1861-62	22,15,88,981	14,80,93,506	36,96,82,487	35,58,51,285	68,13,862	36,26,65,147
1862-63	22,58,64,557	20,52,34,598	43,10,99,155	47,69,80,561	1,10,19,040	48,79,99,601
1863-64	30,38,48,285	24,81,69,932	55,20,18,217	67,45,97,959	4,03,67,842	71,49,65,801

The details of the last year, 1863-64, are as follows :—

IMPORTS.				EXPORTS.				
	Value of Merchandize.	TREASURE.			Value of Merchandize.	TREASURE.		
		Gold.	Silver.	Total.		Gold.	Silver.	Total.
	Rs.	Rs.	Rs.	Rs.	Ra.	Ra.	Ra.	
Bengal	9,64,57,219	2,37,93,198	3,32,76,970	15,35,27,387	5,99,212	1,78,95,137	20,33,12,469	
Burmah	1,73,79,199	4,89,518	99,78,655	2,78,47,372	9,312	39,12,589	3,03,87,867	
Madras	2,14,45,800	1,08,23,900	83,95,300	4,06,65,000	52,000	8,93,500	7,30,88,600	
Bombay	16,46,55,132	5,30,86,926	10,83,07,813	32,60,49,871	30,56,590	1,39,01,902	40,02,03,395	
Scinde	39,10,935	4,115	13,537	39,28,587	.....	47,600	79,73,530
Total	30,38,48,285	8,81,97,657	15,99,72,275	55,20,18,217	37,17,114	3,66,50,728	71,49,65,801	

The preceding Returns relate only to the foreign trade of India. Those which follow include, for the most part, also the interportal or coasting trade.

No. 2 A.

APPENDIX No. 2 A.

Statement in Rupees of the Imports and Exports of Merchandize and Treasure of the Bengal Presidency, from 1860-61 to 1863-64.

Year.	IMPORTS.			EXPORTS.			
	Value of Merchandize	TREASURE.		Value of Merchandize.	TREASURE.		
		Gold.	Silver.		Gold.	Silver.	Total.
1860-61	Rs. 12,68,06,714	Rs. 1,58,08,533	Rs. 2,74,87,941	Rs. 4,32,96,474	Rs. 15,17,937	Rs. 1,65,13,610	Rs. 1,80,31,547
1861-62	...	Rs. 11,28,80,064	Rs. 3,83,10,352	Rs. 5,63,07,180	Rs. 13,48,827	Rs. 89,13,009	Rs. 1,02,61,836
1862-63	...	Rs. 11,41,46,185	Rs. 3,02,85,235	Rs. 5,03,86,508	Rs. 15,61,982	Rs. 1,18,01,459	Rs. 1,33,63,441
1863-64	...	Rs. 10,87,33,001	Rs. 3,66,72,414	Rs. 6,28,93,371	Rs. 19,37,825	Rs. 2,95,11,140	Rs. 3,14,48,965

CALCUTTA CUSTOM HOUSE, }
The 23rd May 1864.

J. A. CRAWFORD,
Collector of Customs.

APPENDIX No. 2 B.

Return of the Exports and Imports of Merchandize and Treasure of the Madras Presidency.

	IMPORTS.				EXPORTS.			
	Merchandize (Value).		Treasure.		Merchandize (Value).		Treasure.	
	Rs.	Silver.	Rs.	Gold.	Rs.	Silver.	Rs.	Gold.
1860-61	3,16,55,812	1,33,02,362	74,23,525		4,45,98,338	59,43,935	19,435	
1861-62	3,44,94,149	1,28,44,799 *	94,41,101		5,42,92,250	35,38,250	1,20,236	
1862-63	3,03,30,148	1,83,53,243	1,20,33,647		6,35,58,990	55,08,415 †	1,42,136	
1863-64	4,02,65,192	2,26,20,699	1,31,62,752		8,77,77,118	2,17,01,186	3,42,098	
* Private Treasure								
Government Treasure ..	1,32,50,410	51,02,833						
† Private Treasure								
Government Treasure ..	25,08,415	30,00,000						
A Includes Government Stores, &c.								
B Private Treasure	...	...	...	...	...	...	...	...
Government Treasure	...	...	...	...	...	...	...	...
C Includes Government Stores, &c.								
D Private Treasure	...	...	...	...	...	...	...	...
Government Treasure	...	...	...	...	...	...	...	...
Total								
Total								

No. 2 C.

APPENDIX No. 2 C.

Statement of Imports and Exports of Merchandize and Treasure of the Bombay Presidency, from 1860-61 to 1863-64.

		I M P O R T S.			E X P O R T S.		
		Merchandize (value).	Treasure, i. e., Coin and Bullion.		Merchandize (Value).	Treasure, i. e., Coin and Bullion.	
			Silver.	Gold.		Silver.	Gold.
1860-61	...	Rs. 12,32,47,119	Rs. 3,88,60,999	Rs. 2,50,32,294	Rs. 18,46,52,390	Rs. 1,09,39,324	Rs. 25,45,152
1861-62	...	12,46,13,327	6,64,76,313	2,85,49,425	19,83,24,526	1,32,51,528	37,18,424
1862-63	...	15,14,53,917	9,99,24,515	4,02,41,498	27,86,98,601	2,11,60,250	41,20,165
1863-64	...	19,47,62,591	11,78,23,362	5,31,16,726	39,54,71,058	1,64,78,469	40,43,683

P. S.—This includes the whole foreign trade of the Presidency, along with the trade between the latter and other Indian Presidencies, excluding, however, the interportal trade of the Bombay Presidency, and of the entire trade of Scinde.

CAMP MATHERAM;
OFFICE OF THE COMM. OF CUSTOMS,
The 12th May 1864.

G. INVERARITY,
Commissioner of Customs.

APPENDIX No. 2 D.

Abstract Return showing Value of Imports into and Exports from the under-mentioned Sea Ports of British Burmah for the four years ending 1863-64.

Name of Custom House.	YEARS.	IMPORTS.			EXPORTS.			REMARKS.
		Merchandise.		Treasure.	Merchandise.		Treasure.	
		Value.	Rs.		Value.	Rs.		
{ RANGOON ... }	1860-61	1,11,10,823	1,06,750	20,14,054	60,38,073	18,400	17,73,808	The entries for the Port of Akyab have been made in the Office of the Commissioner of Arracan. R. D. ARDAGH, Offg. Commr. of Arracan. AKYAB, The 2nd June 1864.
	1861-62	1,06,81,375	2,35,568	31,09,814	86,48,249	6,900	87,32,534	
	1862-63	1,10,12,370	1,79,636	34,76,770	1,05,67,139	.....	27,38,697
	1863-64	1,09,28,308	3,23,340	56,49,387	1,46,75,070	3,200	26,65,167	
{ BASSEIN ... }	1860-61	1,90,762	.....	97,909	6,33,744	.....	.....
	1861-62	2,08,884	.....	96,700	10,72,970	.....	.....
	1862-63	1,64,800	.....	3,44,000	11,39,528	.....	.....
	1863-64	1,33,276	.....	1,56,487	12,11,880	.....	.....
{ MAULMAIN ... }	1860-61	33,80,714	1,80,386	17,41,241	43,36,697	.....	1,27,019
	1861-62	37,97,452	2,43,132	41,95,903	76,99,667	.....	1,13,313
	1862-63	34,23,379	2,26,784	18,86,177	60,64,901	.....	76,348
	1863-64	33,32,070	1,66,178	13,86,181	53,22,962	6,000	90,276	
{ AKYAB ... }	1860-61	9,86,754	29,515	19,00,400	47,98,275	.....	2,02,893
	1861-62	30,82,290	12,900	25,32,305	41,05,919	.....	4,95,612
	1862-63	29,57,129	30,590	21,84,625	44,71,502	5,000	5,42,134	
	1863-64	29,85,545	.....	27,86,600	52,56,054	112	11,57,143

RANGOON,
The 28th May 1864.

H. N. DAVIES,
Secy. to Chief Commr. of British Burmah,
and Agent to the Govr. Genl

No. 2 D

APPENDIX No. 3.

No. 3. *Statement of the Silver Bullion received, coined, and remaining uncoined in the Calcutta, Madras, and Bombay Mints, from May 1862 to April 1864.*

Months.			Silver Bullion received in each month.	Amount coined in each month.	Total remaining uncoined.
1862.			£	£	£
May ...	...	...	1,111,066	791,056	3,264,781
June...	...	...	479,376	703,911	2,886,232
July...	...	...	279,637	955,947	2,094,756
August	...	...	160,879	784,501	1,427,293
September	...	...	142,976	759,228	1,187,615
October	...	...	1,030,353	463,253	1,431,874
November	...	...	441,178	378,031	1,473,165
December	...	...	1,182,627	503,707	3,605,894
1863.					
January	...	...	2,500,031	777,029	4,808,093
February	...	...	1,519,779	806,435	5,307,521
March	...	...	1,702,663	1,188,446	5,584,533
April	...	...	862,672	1,139,932	4,546,296
May...	...	...	186,468	827,559	3,653,380
June..	...	...	61,688	1,318,959	2,771,295
July ..	...	...	628,694	1,170,670	1,852,835
August	...	...	37,309	705,289	1,184,809
September	...	...	31,586	483,798	887,720
October	...	...	476,428	372,890	1,264,318
November	...	...	992,973	347,162	2,282,649
December	...	...	1,140,821	824,588	2,292,328
1864.					
January	...	...	1,750,847	1,248,111	2,513,951
February	...	...	970,752	1,137,948	2,828,849
March	...	...	2,087,428	1,335,563	3,978,077
April	...	...	1,378,841	1,707,144	3,562,255
Total	...	...	21,157,072	20,731,157	66,650,519

APPENDIX No. 3 A.

Statement of Silver Bullion received, coined, and remaining uncoined in the Calcutta Mint, from May 1862 to April 1864.

			THE BALANCE REMAINING UNCOINED AT THE END OF EACH MONTH DIVIDED INTO											
			Silver Bullion received in each month, value Rupees.			Amount coined in each month, value Rupees.			Bullion belonging to Merchants, declared value Rupees.			Bullion belonging to Government, value Rupees.		
			Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
May 1862	...	...	32,54,212	9	1	30,40,378	10	0	9,85,514	0	0	83,37,991	9	9
June "	...	...	24,01,489	2	7	21,27,967	10	0	13,23,611	7	0	86,18,842	6	11
July "	...	...	25,14,065	15	2	39,61,042	0	0	12,117	7	0	71,65,156	0	8
August "	...	...	5,12,890	8	1	30,61,042	0	0	12,117	7	0	46,13,996	6	10
September "	...	...	7,53,616	7	6	2,06,000	6	0	2,94,835	14	0	29,71,997	9	3
October "	...	...	13,09,612	10	4	3,06,919	4	0	1,210	0	0	38,77,796	8	7
November "	...	...	9,38,513	3	5	1,18,323	0	0	.....	0	0	40,90,860	9	8
December "	...	...	9,81,519	10	8	15,18,971	0	0	2,45,617	5	0	46,10,276	4	10
January 1863	...	...	33,79,822	9	6	19,81,267	0	0	5,75,608	12	0	1,19,17,067	1	10
February "	...	...	28,31,456	7	2	17,77,350	0	0	11,24,100	15	0	1,41,24,073	6	3
March "	...	...	9,82,310	0	8	31,72,802	8	0	5,87,189	15	0	1,37,72,093	0	6
April "	...	...	81,753	0	8	16,54,956	0	0	1,170	12	0	1,30,32,065	5	0
May "	...	...	4,94,549	7	8	21,74,028	0	0	.....	0	0	1,62,32,065	5	0
June "	...	...	44,042	2	3	53,37,363	0	0	.....	0	0	56,53,818	14	10
July "	...	...	1,597	0	1	34,04,138	8	0	233	12	0	27,35,605	14	4
August "	...	...	13,16,137	3	5	87,712	0	0	.....	0	0	27,76,739	13	9
September "	...	...	18,74,096	12	11	69,859	0	0	.....	0	0	28,89,281	16	9
October "	...	...	27,82,736	13	9	1,34,847	12	0	10,837	0	0	38,34,155	18	0
November "	...	...	1,11,55,109	15	0	1,40,788	8	0	4,05,223	4	0	51,83,647	9	1
December "	...	...	43,47,623	6	6	32,78,811	0	0	3,000	0	0	43,23,174	0	1
January 1864	...	...	...	...	...	15,94,389	0	0	6,544	11	0	55,19,686	12	6
February "	...	...	...	...	...	34,67,906	8	0	14,51,529	3	0	1,46,50,581	13	3
March "	...	...	...	...	...	62,99,985	8	0	1,61,588	15	6	1,13,14,098	11	9
April "	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total	...	...	5,41,28,639	15	8	5,10,94,673	12	0	73,96,094	0	6	16,42,45,942	10	1

E. E.

H. HYDE,
Mint Master.

J. BRIDGNELL,
Accountant.

CALCUTTA MINT, }
The 17th May 1864.

No. 3 A.

APPENDIX No. 3 B.

No. 3 B. *Statement of Silver Bullion received, coined, and remaining uncoined in the Madras Mint from May 1862 to April 1864.*

	Amount of Merchants' Bullion received.	Amount of Public or Govern- ment Bullion received.	Total Receipts.	Total Coinage.	Balance at the close of each month, including Merchants' and Govt Bullion.	
1862.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance 1st May	7,50,409					
31st May ..	2,59,498	2,041	2,61,539	1,72,184	8,43,738	The balance in- cludes opera- tive gain and loss in each month. No bullion has been received in the Cur- rency Depart- ment.
30th June ...	2,21,975	35,093	2,56,998	6,13,144	4,87,507	
31st July ...	2,81,604	226	2,81,830	3,82,900	3,86,212	
31st August ...	3,38,456	.....	3,38,456	4,83,000	2,41,727	
30th September	4,33,815	7,008	4,40,823	2,98,283	3,84,213	
31st October ..	5,79,118	.....	5,79,118	6,00,516	3,62,874	
30th November	8,56,814	.....	8,56,814	3,35,000	8,91,427	
31st December	7,95,869	714	7,96,583	8,19,000	8,69,015	
1863.						
31st January ..	12,22,370	1,43,717	13,66,087	6,89,000	15,45,923	
28th February	2,30,651	2,104	2,32,754	9,87,000	7,91,693	
31st March ...	3,67,793	50,04,497	53,72,290	8,08,000	53,58,964	
30th April ..	4,23,269	.....	4,23,269	5,44,367	52,42,383	
31st May ..	61,463	18,790	80,253	8,00,000	45,22,670	
30th June ..	2,45,589	1,028	2,46,617	11,50,352	36,18,914	
31st July ...	3,55,679	16,871	3,72,550	13,00,648	26,90,583	
31st August ..	2,19,595	25	2,19,620	12,50,386	16,59,841	
30th September	47,918	669	48,587	8,38,614	8,69,737	
31st October ..	2,73,147	1,060	2,74,207	68,402	10,82,926	
30th November	67,299	.....	67,299	3,36,000	8,14,243	
31st December	77,470	.....	77,470	7,02,652	1,88,942	
1864.						
31st January...	3,01,455	40,52,132	43,53,587	17,00,000	28,42,731	
29th February	26,662	.....	26,662	19,76,000	8,93,311	
31st March ...	18,42,581	.....	18,42,581	8,85,130	18,50,865	
30th April ..	4,86,312	1,514	4,87,826	17,68,518	5,70,276	

FORT ST. GEORGE MINT, }

The 6th June 1863.

J. C. CARPENDALE,

Mint Master.

APPENDIX No. 3C.

Statement of the amount in Rupees of Silver Bullion received by and coined No. 3C. in the Bombay Mint, monthly, from the 1st May 1862 to the 30th April 1864, and of the balance uncoined at the close of each month.

Months.	The total amount of Silver Bullion received in each month since the 1st of May 1862.	The total amount coined in each month.	Approximate amount of Bullion belonging to Merchants in course of receipt.	Bullion belonging to Government.	Bullion belonging to the Currency Department.	Total remaining uncoined.
1862.			I.	II.	III.	
May ...	75,96,959	44,98,000	21,27,446	39,65,583	1,63,87,542	2,24,80,571
June ...	21,70,239	42,98,000	941	40,11,159	1,42,14,265	1,82,26,365
July ...	702	52,14,934	3,72,320	20,11,759	1,10,00,000	1,33,84,079
August ...	7,57,896	43,00,877	.....	63,758	93,52,367	94,17,125
September ...	2,42,338	49,00,000	24,65,000	69,847	40,89,612	82,25,125
October ..	85,14,890	37,25,602	5,28,211	2,48,658	93,00,000	1,00,76,899
November ...	33,16,165	39,28,791	3,01,336	16,38,032	79,00,000	98,39,368
December ..	89,01,182	27,00,000	1,45,94,327	78,30,214	79,00,000	3,03,34,941
1863.						
January ...	1,43,52,478	51,00,030	90,50,673	1,40,91,661	1,09,00,000	3,40,42,334
February ...	1,09,85,217	53,00,000	63,53,473	1,76,76,878	1,30,00,000	3,70,33,351
March ...	83,32,887	79,03,658	45,21,041	1,86,06,017	1,30,00,000	3,61,27,148
April ...	72,21,154	92,00,004	25,02,556	1,16,24,428	1,30,00,000	2,71,26,964
Total Rs. ...	7,26,91,572	6,06,67,898	4,38,23,470	8,18,48,084	13,06,43,786	25,63,15,340
Monthly Average..	60,74,297	50,55,658	36,51,955	68,20,673	1,08,86,982	2,13,50,611
1864.						
May ...	17,63,736	53,01,571	.....	80,88,174	1,80,00,000	2,10,88,174
June ...	2,88,511	67,01,875	37,67,985	16,82,236	1,30,00,000	1,84,40,221
July ...	54,19,846	79,01,895	.....	1,02,082	1,30,00,000	1,21,02,082
August ...	1,09,433	58,01,793	.....	2,11,515	72,00,000	74,11,515
September...	2,65,278	39,11,566	15,51,964	66,218	37,00,000	33,18,182
October ...	44,88,340	36,00,647	42,81,243	4,43,343	42,00,000	89,29,586
November ...	85,46,244	30,01,273	76,57,964	3,32,087	1,02,00,000	1,81,89,151
December ...	1,02,80,593	74,02,440	45,25,492	13,75,180	1,17,00,000	1,76,00,673
1864.						
January ..	1,02,80,881	75,02,306	62,20,426	41,53,185	77,00,000	1,80,73,611
February ...	68,98,123	78,09,092	1,09,80,786	32,44,715	77,00,000	2,18,75,501
March ...	78,76,593	90,02,596	1,34,49,027	21,21,308	77,00,000	2,32,70,335
April ...	90,52,965	90,02,943	1,38,63,978	21,74,273	77,00,000	2,37,38,251
Total Rs. ...	6,52,71,049*	7,60,39,997	6,62,37,965	2,39,99,316	10,68,00,000	19,70,37,281
Monthly Average..	54,39,254	63,36,666	55,19,830	19,98,943	89,00,000	1,64,19,773

* Besides this, Silver Bullion of the value of about 86 lakhs of rupees was withdrawn after tender at the Mint, doubtless for the purpose of being sent up the country, and bullion of the value of about two lakhs of rupees was rejected as unfit for coinage.

NOTE.—The amount of "bullion received" represents the amount of Mint Certificates granted, plus Mint-Duty, Refining Charges, &c. The amount "Tendered" in the three years from the 1st May 1861 to the 30th April 1864 was as follows:—

No. 3C.

*Statement in Rupees of Silver Bullion tendered for coinage to the Bombay Mint, monthly, from the 1st May 1861
to 30th April 1864.*

YEARS.	May.	June.	July.	August.	September.	October.	November.	December.	January.	February.	March.	April.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1861-62	35,13,838	43,74,813	19,760	13,000	12,53,589	35,06,193	40,76,631	57,77,098	36,65,359	84,19,420	81,20,234	58,91,914	4,86,96,849
1862-63	60,62,933	8,741	3,72,320	2,91,200	36,97,547	53,44,911	22,09,096	2,29,55,541	84,19,616	80,15,106	68,17,319	39,53,783	6,88,48,012
1863-64	3,79,473	40,69,985	15,90,061	1,12,911	18,11,964	69,24,371	1,25,19,336	61,94,425	1,16,31,874	1,15,59,094	1,00,41,999	*40,00,000	7,08,85,298
Total	99,61,244	84,53,539	19,82,141	4,17,111	67,63,100	1,57,75,475	1,95,05,063	3,49,27,064	2,37,16,649	2,79,93,620	2,49,79,452	1,98,45,696	18,88,20,154
Average	33,20,415	28,17,846	6,60,714	1,39,037	22,54,367	52,58,492	65,01,688	1,16,42,355	79,05,549	93,31,207	83,26,484	46,15,832	

* Estimated.

S. D. BIRCH,
Depy. Auditor and Accountant Genl.

The 25th May 1864.

APPENDIX No. 4.

From CAPTAIN H. HYDE, R. E., *Master of the Calcutta Mint*, to SIR C. E. TREVELYAN,—dated 7th June 1864.

I enclose you a copy of the proceedings of the Magistrate of Howrah No. 4. in the case to which the statement you enclosed referred. You will see that no Gold Mohurs were found, though dies, of which I send you a *fac simile*, were.

I can give you all the information you require from two other cases that have come under my notice, and of which all the coining material was sent to the Mint.

In May 1861, the Commissioner of Police sent to the Mint 953½ counterfeit Gold Mohurs. These coins appear to have been counterfeits of new standard Sicca Gold Mohurs, and were nearly standard weight. The assay gain 4½ Worse, and the intrinsic worth was 946-7-10 Gold Mohurs = Rs. 14,197-5-6.

In July 1863 the Commissioner of Police sent 162½ counterfeit gold coins, the assay of which was found to be 6 Better. The coins appear to have been counterfeits of the old standard Sicca Gold Mohur, and were nearly standard weight; and their value was 179-13-5 Gold Mohurs, or Rs. 2,697-9-3.

The coiners stood to gain in their transactions as follows:—

May 1861.—953½ counterfeit new Sd. S.					
G. M., assay 4½ W. =					
Co.'s G. M.	946	7	10	at 15 =	Rs. 14,197 5 6
953½ genuine ditto ditto					
standard = ditto	1,002	0	0	at 15 =	Rs. 15,030 0 0
Gain to coiner ...	Rs.				832 10 6

But the market value of these G. M. =					
Rs. 17 ∴ 953½ at 17 =	Rs.	16,205	4	0	
D. D. standard value =	„	15,030	0	0	
Additional gain on enhanced price ...	Rs.	1,175	4	0	= Rs. 1,175 4 0
Total gain ...	Rs.				2,607 14 6

July 1863.—162½ counterfeit old standard					
S. G. M., assay 6 B =					
G. M.	179	13	5	at 15 =	Rs. 2,697 9 3
162½ genuine ditto ditto 7½					
B. = ditto	182	15	0	at 15 =	„ 2,761 14 0
Gain to coiner ...	Rs.				64 4 9

But the market value of these G. M. =					
Rs. 20 ∴ 162½ at 20 =	Rs.	3,255	0	0	
D. D. standard value =	„	2,761	14	0	
Additional gain on enhanced price =	Rs.	493	2	0	= Rs. 493 2 0
Total gain ...	Rs.				557 6 9

No. 4. Thus showing a gain on the transaction of May 1861 of Rs. 2,007-14-6, and on that of July 1863 of Rs. 557-6-9, calculating the tolah of standard gold at Rs. 15; but if something more were paid, i. e., market rate, the first transaction would only be affected to about Rs. 150, and the second to about Rs. 25.

I do not doubt but that Gold Mohurs of ancient date that bear fictitious value are constantly counterfeited in their full intrinsic value.

(The following is that part of the Proceedings of the Magistrate of Howrah, in the Suburbs of Calcutta, which relates to this subject.)

Some short time afterwards, one of the Constables observed the prisoner, Sreedhur's wife, moving in a manner which apparently excited their suspicions, and following her, found her hands covered with dust; on being charged with attempting to conceal something, she produced from behind some bricks in the wall four different dies and a number of implements used for the purpose of sinking dies; all these dies are intended for coining Mohurs. The evidence of the witness Ram Kisto, who states that he has worked for the prisoner Sreedhur for four years, appears to prove that the coining of Mohurs was the business chiefly carried on by the prisoner.

From CAPTAIN TIGHE, *Offg. Depy. Commr. of Ambala*, to Colonel SIR HERBERT EDWARDES, K. C. B.,—dated 24th June 1864.

I meant before this to have reported officially on the Jugadree coining case, but the report was delayed, owing to your kindly allowing me to stay up here a few days.

As, however, you will no doubt be besieged by numerous petitions from the parties concerned, it is right you should have a sketch of the proceedings as soon as possible.

About six months ago, there was a squabble among the principal coiners of Jugadree, and one of the number gave certain imperfect information to the Tehseeldar, Burkut Ali, who told Parsons and myself. There appears to have been some suspicion among the parties concerned that all was not right, as for some time we could get no information of any more Mohurs coined or sent away. On the 11th, however, Pearson

received a message from the Tehseeldar, begging him to come to Jugadree. He went, accordingly, unknown to any one, and posting sentries about, cleared the houses of the suspected parties in the morning, making a simultaneous search. The result of the search showed that the parties had been warned. In only one house were any of the alloyed Mohurs found, and no dies were produced. We believe this information to have been given by one Deputy Inspector Sungut Sing to Daveechund, who, the night Parsons came in, made a precipitate retreat into Puttialah, hardly halting at Amballa. The Tehseeldar had, on sending for Parsons, received information of the despatch of a consignment of 163 Mohurs to Simla, and arrangements were made to arrest the messenger. This was done at Kalka, and the Mohurs found on the messenger; they were examined and all found alloyed.

Immediately on receiving Parsons' information, with a request that I myself would come to Jugadree also and conduct the investigation on the spot, I did so, and examined the witnesses and tools in presence of the accused.

The result of this examination shows clearly—

That for the last ten years, Gold Mohurs have been regularly manufactured at Jugadree by several different parties; that these Mohurs are made to resemble the old Jeypore Mohur of the years 8 to 13; but, instead of being of the value of Rs. 16 to Rs. 16-2, are really worth little more than Rs. 14 to Rs. 14-8. The profit being divided thus:—

Goldsmith	...	...	4 annas fixed fee.
Coiner shroff...	...	8 do.	to 10 annas.
Utterer	...	8 do.	to 10 do.

There are four principal coiner shroffs at Jugadree—Zahiroo, Narayundás, Deen Dyal, and Adjoodhia; the three first are all under trial; the fourth is the original informer.

All these men have regular dealings with the more respectable bankers, to whom the coining is well known, and who, accordingly, buy Mohurs from these men for the purpose of uttering them principally in the hills.

Whilst the price of a real Jeypore Mohur is from Rs. 16 to Rs. 16-2 at Jugadree itself, they buy these alloyed Mohurs for prices ranging from Rs. 15-3 to Rs. 15-12, selling them for Rs. 16 at Simla and

No. 4. Mussoorie, where there is a great demand, owing to the number of servants and men employed on the Thibet Road, who save their wages to purchase Mohurs as more portable, and also to the hoarding propensities of the Hill Rajahs. I cannot yet calculate the exact amount coined; but Deen Dyal, one of the coiners, who has confessed with the hope of saving his sons, states that a profit of Rs. 4,000 a month is easily made. This would give an out-turn of about 2,000 Mohurs a month, but I doubt quite so many being coined; at the same time, I believe 1,000 may be calculated on.

These Mohurs are principally made out of British sovereigns, technically called by the shroffs *áthmáshás*, and this is, I think, the most important feature of the case as pointing to the absolute necessity of some Government gold coin.

Surely, if it is worth while for the Jugadree people to mutilate sovereigns and turn them into *Gold Mohurs*, *Jeypooree*, which pass throughout the plains for Rs. 16 with very slight fluctuations, it would not be difficult to make the sovereign itself a legal tender at Rs. 10.

The coining, as far as I can learn, is not confined to Jugadree, but is also practised at Delhi, Shamlee of Saharunpoor, Roorkee, and other places, perhaps Umritsur.

During the examination the accused implicated each other, and many confessed; and with regard to the principal people arrested, the following are the heads of evidence. It must be remembered that the books have not fully been gone into yet:—

Daveechund, banker, (Durbaree,*) not present at original enquiry, having bolted to Puttialah, returned on the evening of the second day.

Mootasuddee Mul, brother and partner of *Daveechund*, present. Books examined; show regular dealings with the coiners *Zahiroo* and *Adjoodhia*, and purchase of (on a cursory examination) 500 Mohurs at low rates from the same, transmitted to Simla to Mohun Lal, the agent there, also a brother and member of the firm.

In December 1861, Mahomed Rusheed, then Kotwal of Simla, now Tehsildar of Kurrur, got information that *Daveechund's* firm at Simla were in the habit of dealing in alloyed Mohurs. He, in consequence,

* That is, a person of such consideration that he is on the list of those admitted to the Governor General's Darbar.

purchased sixteen of these Jugadree Mohurs, and brought them to his No. 4. superiors; the matter at the time was hushed up, and nothing more was said about it. But it is important now as proving the guilty knowledge of Daveechund's firm, who, after this warning, continued their dealings with the coiners.

The next principal person concerned is Futteh Sing, Khatree, head of one of the chief families represented by *Daveechund*, *Futtehchund*, and the *Amballa Treasurer*. This man's books show distinctly the delivery of sovereigns to the coiners, and the receipt per contra of Jeypore Mohurs. They also show a particular transaction in which Futteh Sing went partners with Deen Dyal, coiner shroff, in a particular remittance of Mohurs to Teeree, in Mussooree, which proved a loss.

Dogar Mul, Khatree, brother-in-law of Daveechund, admits knowingly giving a certain number of sovereigns to the coiners, and receiving back the same in Jeypore Mohurs made up on the spot.

The *Amballa Treasurer's* son's books, at Jugadree, also show regular transactions.

I have permitted several of those concerned to turn Queen's evidence, and the case is now nearly complete against the principals.

The *Amballa Treasurer* admitted to me that he had known of this coining some time, but did not report it, as he thought I had not time to hear him!! He is a very respectable old man, and I do not believe *himself* concerned, though all his family are.

When Parsons had searched the houses and returned to the bungalow, the people of the city, headed by *Futteh Sing*, were most insolent and tried to intimidate him. They behaved excessively badly. None of the dies, save three of Narayundass's, have been delivered up, and these were got by the informer by stratagem. I accordingly sent for the whole punch, consisting of some thirty to forty of the principal Bunnyas and Khatrees, and told them I considered them all equally concerned, and if the dies were not produced in four days, I would recommend an extra Police force, at a cost of Rs. 150 a month, being quartered on them. As there are at least seventeen to eighteen dies in the town, and they have not been delivered up yet, I shall, when I go down, make the threatened report.

- No. 5. I have above principally alluded to Jeypore Mohurs uttered in the hills ; but Moorshedabad Mohurs are also made up and uttered in the plains.

APPENDIX No. 5.

FORT ST. GEORGE, REVENUE CONSULTATION OF 2ND JULY 1858.

From H. D. PHILLIPS, Esq., Collr. of Tanjore, to Secy. to Board of Revenue, Fort St. George,—No. 108, dated Tanjore, Point Calimere, the 10th June 1858.

Owing to the apparent scarcity of silver coins in the market, the Merassidars of this district feel considerable difficulty at present in meeting the usual demand on account of their monthly kists. Several complaints have already reached me on the subject, and I have reason to think that the collections are impeded from this cause.

2. There seems to have been a great influx of sovereigns in the district ; the grain exported from the Tanjore Ports to Colombo and other places being generally paid for in gold. These coins, which heretofore were seldom or never procurable unless at a premium, appear now to be selling at a discount of from one to two annas a piece.

3. Under these circumstances, the Merassidars have requested that my Tehsildars may be allowed to receive gold sovereigns at par, i. e., at the value of Rs. 10 each, in payment of the Government revenue.

4. The Notification of the Government of India, republished in the Fort St. George *Gazette*, page 2 of 1853, prohibits “the receipt of gold coins into the public treasuries of Government.” But as it is of the utmost importance that every facility should be afforded to the ryots, in a season like the present, in the payment of the public revenue, I have deemed it necessary to lay the subject before the Board of Revenue, in order that they may take such steps in the matter as may seem to them called for.

5. It has occurred to me that the Board might desire to know how many sovereigns on the aggregate have been proffered for payment of the ordinary kists, and I have sent a Circular to the Tehsildars to endeavor to ascertain the total, should they have kept a note of the matter. But to await the result of my application to them would have delayed this communication, and after all the needful information might not have been obtained.

Read the following Extract from the Proceedings of the Board of Revenue,—No. 2168, dated 22nd June 1858.

Read letter from the Collector of Tanjore, dated 10th June 1858, No. 5.
In Cons. 22nd June 1858. recommending that, owing to the scarcity of silver coin in the province, sovereigns may be received in payment of revenue.

(Here enter No. 108.)

The Collector states that sovereigns have been received by the Merassidars in large numbers, from Ceylon, in return for rice exported.

2. The Board resolve to forward Mr. Phillips' letter for the orders of Government, and recommend that he be permitted to receive sovereigns at par till further orders.

(A true Extract)

(Signed) J. D. SIM,

Sub-Secretary.

Order thereon; No. 870, dated 24th June 1858.

Referred to the Accountant General for immediate report.

(Signed) W. H. BAYLEY,

Actg. Secy. to Govt.

Read again Extract from the Proceedings of the Board of Revenue, dated 22nd, and recorded in Diary to Consultation 29th June 1858, No. 998.

Read also the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl., to Actg. Secy. to Govt. of Fort St. George, in the Revenue Dept.,—No. 72, dated 25th June 1858.

I have the honor to acknowledge the receipt of the order of Government, dated 24th instant, No. 870, referring to me for report Extract from the Proceedings of the Board of Revenue on a letter from the Collector of Tanjore, in which he requests permission, in consequence of the scarcity of silver coin in his district, to receive payment of revenue in sovereigns. The Board also recommend that he be permitted to receive them at par, till further orders.

No. 5. 2. Under the Notification of the Government of India, dated the 22nd December 1852, to which the Collector of Tanjore has referred, the receipt of gold coin into the public treasuries of Government is prohibited, and it may therefore be proper to communicate with the Supreme Government on the matter; but, under the circumstances represented by the Collector, I think he may safely be permitted, as a special case, to receive sovereigns into his Treasury in payment of revenue, pending the proposed reference to the Supreme Government. I would also suggest that they be received, as recommended by the Revenue Board, at the par rate, i. e., Rs. 10 each.

3. These sovereigns, when received by the Collector of Tanjore, cannot, under the existing rules, be issued by him, and will therefore form part of his specie remittances to the General Treasury at Madras. On being received into the General Treasury here, I would beg to recommend that the Sub-Treasurer be authorized to sell them, but not at a less rate than that at which they may be received by the Collector. As the market rate of sovereigns has not, within my recollection, been lower here than Rs. 10 per sovereign, I do not anticipate that there will be any difficulty in realizing Rs. 10 each. The present rate of sovereigns in the Madras market is about Rs. 10-2-6 each. The excess may be credited to "Profit and Loss" in the accounts of the Sub-Treasurer.

Order thereon ; No. 888, dated 29th June 1858.

Resolved that a copy of the Accountant General's letter be furnished to the Collector of Tanjore, through the Board of Revenue, for his information and guidance.

2. Before addressing the Government of India on the subject, as suggested by Mr. Prendergast in para. 2 of his letter, the Government are desirous to know if the present contingency is likely to continue for any length of time. The Board will furnish full information on the point, and state also what has contributed to the peculiar scarcity of silver coin in Tanjore at the present time.

(Signed) W. H. BAYLEY,
Actg. Secy. to Govt.

From H. D. PHILLIPS, Esq., *Collr. of Tanjore, to Secy. to Board of Revenue, Fort St. George,—No. 115, dated Kodicutray, 23rd June 1858.*

Adverting to my letter of the marginal date, I have the honor to No. 5.
 10th June 1858, No. 108, enter below a Statement of the number of
 sovereigns which appear to have been offered
 in payment of kists due for the current Fusly in fourteen of the sixteen
 Talooks which compose this district.

2. I have not yet received a Return from Talooks Tritrupoondy and Puttoocottah, but a representation has reached me from certain merchants in the latter division asking why the gold coins, which are current across the Bay in the limits of the Ceylon Government, should not also be received here by Government Officers in liquidation of Government dues for Salt and Sea Customs. They assert that the exception taken to sovereigns is productive of much pecuniary loss to them, and beg that it may be abandoned:—

	Sovereigns.			
Numullum	2,000
Keevalore	6,000
Tranquebar	100
Munnargoody	2,500
Trivalore	6,000
Trivady	200
Parellum	1,000
Velungamaun	870
Myaveram	1,000
Codavassel	500
Papanassem	200
Sheully	1,000
Combaconum	100
Coottalem	7,000
Total ...				28,470

From H. D. PHILLIPS, Esq., Collr. of Tanjore, to Secy. to Board of Revenue, Fort St. George,—No. 117, dated Kodicutray, 25th June 1858.

No. 5. In continuation of my letter marginally noted, respecting the extensive circulation of sovereigns, which, however, I am precluded from accepting in payment of the ordinary revenue demand, I have the honor to state that the amount which appears to have been offered in Talook Tritrapoondy is £3,000, and that in Puttoocottah it may, I think, from what the Tehsildar states, be calculated at a similar figure.

23rd June 1858, No. 115.	
	<i>Sovereigns.</i>
Amount reported	.. 28,470
<i>Add—</i>	
Tritrapoondy	.. 3,000
Puttoocottah	.. 3,000
Total	.. 34,470

FORT ST. GEORGE, REVENUE CONSULTATION OF 20TH JULY 1858.

Read the following Extract from the Proceedings of the Board of Revenue,—No. 2288, dated 2nd July 1858.

Read letter from the Collector of Tanjore, dated 23rd June 1858, sending, with reference to his former letter, a Statement of sovereigns offered in payment of kists for the current Fusly.

In Cons. 2nd July 1858.

[Here enter No. 115.]

Read also letter from the same Officer, dated 25th June 1858, reporting the amount of sovereigns offered in payment of kists at Tritrapoondy and Puttoocottah Talooks.

In Cons. 2nd July 1858.

[Here enter No. 117.]

Submitted to Government with reference to the Board's Proceedings, dated 22nd June 1858, No. 2168.

(A true Extract)

(Signed) G. S. FORBES,

Secretary.

Order thereon; No. 960, dated 14th July 1858.

The Collector of Tanjore, in one* of the letters submitted with the No. 5. Board's Proceedings above recorded, states that certain inhabitants represent that the exception taken to the receipt of sovereigns in liquidation of Government dues is productive of much pecuniary loss to them, and beg that the restriction may be abandoned. The Government will take the subject into consideration on the receipt of the report called for in Extract Minutes Consultation, dated 29th June 1858, No. 888.

(Signed) T. PYCROFT,
Chief Secretary.

From A. HATHAWAY, ESQ., Actg. Collr. of Madura, to Secy. to Board of Revenue, Fort St. George,—No. 164, dated 9th July 1858.

With reference to the Board's Proceedings of the 1st instant, No. 2278, I have the honor to inform you that no sovereigns have been tendered in payment of revenue, as the order prohibiting the receipt of gold coin in the public treasuries, is generally known among the community. Gold coin has certainly been introduced into this district to a large extent, inasmuch as a sovereign can be procured for Rs. 9-14 in the Madura market.

From D. MAYNE, ESQ., Actg. Collr., Tencausy, to Secy. to Board of Revenue, Fort St. George,—No. 236, dated 16th July 1858.

With reference to paragraph 4 of Extract from the Proceedings of the Board of Revenue dated the 1st instant, requesting to be informed whether sovereigns have been tendered to any extent in payment of revenue, and whether they are known to have been largely introduced into this district, I have the honor to inform you that sovereigns are imported from Ceylon, and introduced largely in the first six, and to a small extent in the last three Talooks named in the margin. If not prohibited by law, sovereigns, it appears, would be tendered in payment of revenue, but they are now sold for the current silver coins.

Nelliambalum.
Vullyoor.
Streenycoontum.
Punchamahli.
Bremmadasum.
Ottapedarum.
Sauttoor.
Streevillypoottoor, and
Sheukerninareoil.

No. 5. * Vedoogrannum.
Tencausy.
Sharenmadavy, and
Nangoonary.

2. It is reported that sovereigns do not abound in four of the Talooks* in this district.

From H. D. PHILLIPS, Esq., Collr. of Tanjore, to Secy. to Board of Revenue, Fort St. George,—No. 150, dated Point Calimere, 24th July 1858.

I have had the honor to receive an Extract from the Proceedings of the Board of Revenue, dated the 1st instant, No. 2278, making certain inquiries in connection with the present scarcity of silver coin in the Tanjore Province.

2. The Board are aware that the great staple produce of this district is paddy, and that a large trade in it is carried on with Ceylon. The shipments were usually paid for at Colombo by Hoondies on merchants at Madras, who again remitted the money to this district by Accountant General's bills, which were cashed at the local treasury. From all the inquiries I have been able to make on the subject, it appears

Amount of bills drawn.

		Co.'s Rs.
1852-53	...	19,67,470
1853-54	...	16,66,166
1854-55	...	21,39,467
1855-56	...	13,96,329
1856-57	...	14,15,600
1857-58	...	13,45,311

that, owing probably to the late failures in the commercial world, and the consequent general depression of trade, bills are no longer preferred, but that payment is received at once in cash for the exports, and that thus sovereigns, the coin in which those payments are made, find their way in large quantities into this district. This belief seems so far correct that there is actually a great falling off in the aggregate amount of the Accountant General's bills drawn on my Treasury, which is *pro tanto* specie withdrawn from local circulation.

3. Another main cause of the scarcity of silver in the district may be traced to the extinction of the Tanjore Raj, and with it the disappearance of numerous sources of expenditure. Ten lakhs of rupees used to be annually disbursed as the Punjum Hissah from the Public Treasury, all or almost all which money was of course expended in the district, and thus thrown into circulation. This, under the existing state of Tanjore affairs, is no longer the case to the same extent.

4. Latterly, too, the outlay on account of Public Works has been greatly curtailed owing to the restrictive orders on expenditure; an important change of the kind seems to me to be another of the causes which have tended to produce the present scarcity of the usual circulating medium.

5. In proportion to the diminution from these causes in the local No. 5. expenditure is the increase in the remittances to Madras of public cash.

6. It is very difficult to form a safe opinion whether the influx of sovereigns is likely to be constant, but as the export trade of the province is carried on chiefly with a Crown settlement, where that coin is the medium of exchange, and as a large portion of the lower classes of the population emigrate from this district to Ceylon and the Mauritius, and usually return with their accumulated earnings in gold, there must, at all times, be a large quantity of sovereigns in circulation in Tanjore; and I have no doubt, therefore, that a complete removal of the restriction, which the Government have now only temporarily relaxed, would prove beneficial, and facilitate the collection of the revenue.

7. The withdrawal of the prohibition already sanctioned will lead Native merchants freely to receive payments in gold, and will, I conclude, have the effect of keeping up the value of the sovereign at par, even if it does not rise above that figure.

From H. D. PHILLIPS, Esq., Collr. of Tanjore, to Secy. to Board of Revenue, Fort St. George,—No. 162, dated Negapatam, 6th August 1858.

Adverting to my letter of date the 24th ultimo, No. 150, I have the honor to state that the collections of public arrears made in sovereigns, in the Keevalore Talook, of which the Cusbah is Negapatam, during the past month, amounted to Rs. 10,400.

The whole arrear realized in that period was Rs. 51,723-15.

FORT ST. GEORGE, REVENUE CONSULTATION OF 14TH SEPTEMBER 1858.

Read the following Extract from the Proceedings of the Board of Revenue,—No. 3086, dated 14th August 1858.

Read the following letters:—

From Acting Collr. of Madura, dated 9th July, in Cons. 14th Aug. 1858.

"	"	of Tinnevely,	"	16th	"	"	"	"
"	"	of Tanjore,	"	24th	"	"	"	"
"	"	of Tanjore,	"	6th	"	"	"	"

[Here enter Nos. 164, 236, 150, and 162.]

Resolved, that the above letters be submitted for the information of Government, with reference to Extract Minutes Consultation, 29th June and 14th July 1858, Nos. 888 and 960 R. D.

In Cons. 1st July 1858.
" 24th " "

No. 5. 2. In his letter above recorded, the Collector of Tanjore furnishes the information required by Government regarding the scarcity of silver coin in that district and the influx of sovereigns.

3. Mr. Phillips states that considerable trade is carried on between Tanjore and Ceylon in paddy, the staple product of the former province; and that the shipments have hitherto been usually paid for in Hoondies on merchants at Madras, who again make their remittances by Accountant General's bills on the Tanjore Treasury. Mr. Phillips' enquiries lead him to believe that, owing, probably, to the recent commercial failures and depression of trade, this mode of receiving payment is no longer preferred, and the exports are paid for in sovereigns (the current coin of Ceylon) which thus find their way largely into Tanjore.

4. This belief, Mr. Phillips adds, is to a certain extent confirmed by the falling off in the amount

				Co.'s Rs.
1852-53	...	...	..	19,67,470
1853-54	...	...	...	16,66,166
1854-55	...	...	..	21,39,467
1855-56	...	...	..	13,96,329
1856-57	...	...	..	14,15,600
1857-58	..	...	...	13,45,311

of the Accountant General's bills drawn on his Treasury. The marginal abstract shows the amount of these bills for the six years ending with 1857-58, and it will be seen from it that there has not been much variation during the last three years, when

Revenue from all sources.

<i>Fusly</i>	1264	<i>A. D.</i>	1854-55	<i>Rs.</i>	54,75,000
"	1265	<i>A. D.</i>	1855-56	"	58,55,000
"	1266	<i>A. D.</i>	1856-57	"	56,29,000

compared together; but a great decrease appears when the comparison is made with the three preceding years, the average of the former (1855-56 to 1857-58) being only Rs. 13,85,747, while that of the latter (1852-53 to 1854-55) is Rs. 19,24,368. It is clear from this that of late a considerable amount of silver has been withdrawn from circulation in Tanjore.

5. Another cause assigned for the scarcity of silver is the extinction of the Raj. Ten lakhs of rupees were formerly disbursed as the fifth share of the Rajah in the revenue of Tanjore, and almost the whole of this was expended in the district.

6. The recent restriction in expenditure on public works is cited by Mr. Phillips as another cause of the scarcity of coin.

7. The Board have no information regarding the Government remittances from Tanjore in coin by land, but the Statements of imports and exports of specie by sea on their account are blank, with the exception noted in the

Sept. 1857, Rs. 3,08,000 to Bombay.

margin. Mr. Phillips, however, states that the remittance of public cash No. 5. from Tanjore has increased in proportion to the diminution in the local expenditure.

8. Mr. Phillips is unable to affirm with any degree of certainty that the influx of sovereigns is likely to be permanent, but as the trade of the district with Ceylon is extensive, and a large portion of the lower classes emigrate to that Island and Mauritius, and usually bring back their savings in gold, a considerable number of sovereigns must always be introduced into the district.

9. In a subsequent letter, the Collector reports that in the Keevalore Talook Rs. 10,400 have been paid in sovereigns out of a total sum of Rs. 51,724 collected during last month.

10. It will be seen from the letters of the Collectors of Tinnevely and Madura, that sovereigns are largely introduced into those provinces also, and that in the latter, their present market value is only Rs. 9-14 each. This depreciation in value Mr. Hathaway ascribes to their abundance, but it is no doubt owing also in some degree to their not being accepted in payment of the public revenue, which (including all sources) is about 25 lakhs per annum.

11. The Board append an abstract, showing the total imports and exports of sovereigns for the Presidency by sea during the last three years, according to the Customs Returns :—

SOVEREIGNS VALUED IN COMPANY'S RUPEES.

Imports by private Individuals.

Districts.	1855-56.	1856-57.	1857-58.	Total.
	Rs.	Rs.	Rs.	Rs.
Rajahmundry ...	.....	4,000	24,500	28,500
South Arcot ...	.....	.....	120	120
Tanjore ...	72,210	2,25,500	1,22,450	4,20,160
Tinnevely ...	41,375	94,810	1,99,200	3,35,385
Canara ...	9,122	9,950	14,929	34,001
Malabar ...	3,400	38,785	1,02,865	1,45,050
Madras ...	9,11,665	13,97,551	25,61,323	48,64,539
Total ...	10,37,772	17,64,596	30,25,387	58,27,755

No. 5.

Exports of Sovereigns by private Individuals.

Districts.	1855-56.	1856-57.	1857-58.	Total.
	Rs.	Rs.	Rs.	Rs.
Rajahmundry ...	...	2,500	...	2,500
Madras ...	700	...	60,000	60,700
Total ...	700	2,500	60,000	63,200

No imports or exports of gold by Government.

(A true Extract)

(Signed) J. D. SIM,
Secretary.

Ordered, in consequence, that the following letter be despatched:—

From T. PYCROFT, Esq., Chief Secy. to Govt. of Fort St. George, to Secy. to Govt. of India,—No. 1250, dated 14th September 1858.

With reference to the Financial Notification of the Government of India, dated 22nd December 1852, No. 26, prohibiting the receipt

From Collr. of Tanjore to Bd.,	10th June 1858.		of gold coins into the
Prods. of Rev. Bd to Govt.,	22nd "	No. 2161.	public treasuries, I
Order thereon,	24th "	" 870.	have the honor, by
From Acett. Genl. to Govt.,	25th "	" 72.	desire of the Governor
Order thereon,	29th "	" 888.	in Council, to submit
From Collr. of Tanjore to Bd.,	23rd "		copies of the corres-
From do. to do.	25th "		pondence noted in the
Prods. from Bd. of Rev. to Govt.,	2nd July 1858	" 2288.	margin, which will
Order thereon,	14th "	" 960.	show that silver coin
From Actg. Collr. of Madura to Bd.,	9th "		
From do. of Tinnevely to do.	16th "		
From do. of Tanjore to do.	24th "		
From do. do. to do.,	6th August 1858.		
Board's Proceedings to Govt.,	14th "		

is becoming scarce in Tanjore, and that sovereigns are largely introduced into that district as well as into Tinnevely and Madura, and to request that permission may be granted for departing from the terms of the Notification alluded to in such of the districts of this Presidency in which the Government may find it necessary for the punctual collection of the public revenue. It will be observed that in Madura, the present market value of the sovereigns is stated to be Rs. 9-14, and this depreciation in value is, (though the Acting Collector ascribes it to their abundance) in some degree, owing to their not being accepted in payment at the Government Treasuries.

2. In Tanjore the scarcity of silver coin became so conspicuous that No. 5. this Government were obliged, as a temporary measure, to authorize the receipt of sovereigns, for it was apprehended that, without such permission, the public revenue might fall largely in arrears. They will be received at par value, viz., Rs. 10, and are invariably to be remitted to the General Treasury at Madras, when the Sub-Treasurer will sell them at a rate not less than that at which they were received by the Collector.

FORT ST. GEORGE, REVENUE CONSULTATION OF 28TH SEPTEMBER 1858.

Read the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl., to Chief Secy. to Govt. of Fort St. George,—No. 192, dated 18th September 1858.

With reference to my letter to the address of the Acting Secretary to Government in the Revenue Department, dated the 25th June last, and to the order of Government passed thereon, as per Extract from Minutes of Consultation, dated the 29th June 1858, No. 888, I have the honor to transmit herewith copy of a letter from the Collector of Tanjore, dated the 13th instant, in which he requests permission to issue, to those who may be willing to receive them, the gold sovereigns which he has been temporarily authorized to receive in payment of the public kists in consequence of the scarcity of silver.

2. The Collector of Tanjore has recently sent a remittance of ten lakhs of Rupees to the Presidency, Rs. 52,260 of which consisted of sovereigns. Having sent away his surplus silver, it cannot be expected, specially at this season when the revenues are small, if most of such revenues are paid in gold, that the Collector will be able to meet the current demands on his treasury, if his disbursements are confined to silver.

3. Moreover, the object in prohibiting the re-issue of gold and silver uncurrent coins, amongst which sovereigns* have been hitherto classed, is to secure their being sent sooner or later to the General Treasury, and thence forwarded to the Mint for re-coinage. This was not intended in the case of the gold sovereigns, which the Collector was authorized to receive and to send to the General Treasury for the purpose of being sold.

* It may be doubted, now that the East India Company has ceased to exist and India is an English Colony, as much as Ceylon or any other, whether sovereigns "can any longer be regarded as uncurrent."

- No. 5. 4. Under these circumstances, I beg to recommend that the Collector of Tanjore be permitted, as a special case, to issue the sovereigns received by him, in payment of the demands on his treasury, to parties willing to receive them, in the event of the silver in his treasury proving insufficient for that purpose.

From H. D. PHILLIPS, Esq., Collr. of Tanjore, to Acctt. Genl., Fort St. George,—No. 729, dated Vellum, 13th September 1858.

In paragraph 3 of your letter to Government, dated the 25th June 1858, No. 72, you state that sovereigns, when received into the treasury, “cannot, under the existing rules, be issued” by me.

2. You are aware that, at this season, the collections in the Talooks are very limited. The small payments of revenue that are made are mostly in gold coins.

3. Under the present arrangements, nearly all the local disbursements have to be made from the Talook treasuries; and the re-issue of gold coins being prohibited, they have to be remitted to the treasury at Tranquebar, from which silver coins have to be sent to the Talooks, thus entailing unnecessary inconvenience and delay.

4. The balance of cash in the Hoozoor treasury is small; and while the receipt of sovereigns is allowed, if their re-issue is interdicted, it will become necessary that I should apply for a remittance in silver coins, from Madras or other quarters, to meet the current demands on my treasury.

5. Out of the balance of cash in the Hoozoor treasury at Tranquebar, there are at present Rs. 10,000 in gold coins, and you are aware that Rs. 52,000 and odd in gold formed part of the recent remittance of ten lakhs by the “Coromandel.” What quantity of them there is in the Talook balances, the Returns at hand do not show; but some of the Tehsildars have applied for a remittance in silver, in place of the gold coins in their hands, to meet the current month’s disbursements.

6. Under these circumstances, and as the prohibition to receive gold coins in payment of the public kists has been temporarily relaxed,

and I am not aware of any objection to sovereigns being tendered in payment to those who may be willing to receive them, I request you will be so good as to obtain or grant the necessary authority, as a special case, for departing from the rules you refer to.

Order thereon ; No. 1292, dated 22nd September 1858.

Under the circumstances represented by the Collector of Tanjore, Government grant authority, as a special case, for the issue of gold sovereigns to parties willing to receive them, in payment of demands on the Tanjore treasury, provided that the silver in that treasury is unequal to the demands upon it. A report of this will be immediately made for the information of the Government of India.

(Signed) T. PYCROFT,
Secretary.

Ordered, in consequence, that the following letter be despatched :—

From T. PYCROFT, Esq., Chief Secy. to Govt. of Fort St. George, to Secy. to Govt. of India,—No. 1293, dated 22nd September 1858.

With reference to my letter dated 14th September 1858, No. 1250, reporting that this Government had been obliged, as a temporary measure, to authorize the receipt of sovereigns into the treasury of Tanjore, in consequence of the scarcity of silver coin in that district, I am directed to submit, for the information of the Government of India, the accompanying copy of a letter from the Accountant General, with its enclosure, and to report further for the confirmation of the Supreme Government the orders of this Government in since sanctioning, as a special case, the issue of gold sovereigns from the Treasury of Tanjore to such parties as may be willing to receive them in payment of their demands, provided, however, that the silver in that treasury was unequal to the demands upon it. The Government were induced to authorize this measure, as the Collector apprehended that he would be otherwise obliged to apply for silver from Madras and other quarters, in order to meet the current demands of his district.

18th September 1858. No. 192,
with letter from Collector of
Tanjore, 13th September 1858,
No. 721.

FORT ST. GEORGE, REVENUE CONSULTATION OF 29TH OCTOBER 1858.

Read the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl. to Chief Secy. to Govt. of Fort St. George,—No. 229, dated 14th October 1858.

- No. 5. With reference to the second paragraph of my letter to Government, dated the 18th ultimo, in which I mentioned that, out of a remittance of ten lakhs of rupees received from the Collector of Tanjore, Rs. 52,260 consisted of gold sovereigns, I have the honor to report, for the information of Government, that the said sovereigns have been sold by the Sub-Treasurer, under the orders contained in Extract from Minutes of Consultation dated the 29th June last, No. 888. The amount of difference between the rate* at which the sovereigns in question were received by the Collector, and the rates at which they have been sold, viz., Rs. 801-12-6, has been credited to "Profit and Loss" in the accounts of the Sub-Treasurer. Particulars of the sale are hereunto subjoined—

4,677 gold sovereigns (English coinage), at Rs. 10 2 6 each,	Rs. 47,500 12 6
152 half " " " 5 1 3 " "	771 14 0
425 gold " (Australian coinage) " 10 2 0 " "	4,303 2 0
96 half " " " 5 1 0 " "	486 0 0
	<hr/>
Total,	Rs. 53,061 12 6
Deduct invoice value at Rs. 10 per sovereign " "	52,260 0 0
	<hr/>
Difference credited to Profit and Loss, Co.'s Rs.	801 12 6

Order thereon; No. 1455, dated 29th October 1858.

Ordered, that the foregoing letter be recorded.

(Signed) W. H. BAYLEY,
Acting Secy. to Govt.

FORT ST. GEORGE, REVENUE CONSULTATION OF 5TH NOVEMBER 1858.

Read the following letter from C. HUGH LUSHINGTON, Esq., Secy. to Govt. of India, Finl. Dept., to Chief Secy. to Govt. Fort St. George,—No. 5641, dated 12th October 1858.

I am directed to acknowledge the receipt of your letters No. 1250, dated the 14th ultimo, and No. 1293, dated the 22nd idem, with their enclosures, reporting that the Government of Fort St. George have

considered it necessary, as a temporary measure, to authorize the receipt, No. 5. into the Tanjore Treasury, "at par value, viz., Rs. 10," of gold sovereigns, in consequence of a scarcity of silver coin in that district.

2. I am desired to request that this Government may be informed on what grounds Rs. 10 was assumed as the par value of the sovereigns in question. The President in Council apprehends that it is impossible to assign any intrinsic par value to the two different metals.

3. It appears to the Hon'ble the President in Council that, if any where such a real scarcity of rupees should occur as to make payment of revenue in legal currency really impossible, the proper course would be to receive uncurrent gold coins, or other commodities, at their *market* value. In the present instance, the receipt in the Tanjore treasury of uncurrent gold coins at more than their market value at the time and place must have tended to increase the very inconvenience complained of, by driving out silver and factitiously encouraging the further importation of the gold coins thus unduly favored.

4. But the President in Council sees nothing in the papers before him to lead him to believe that there was any such real scarcity of silver coin in Tanjore as to justify a disregard of rule, in a matter of such importance as the currency. It appears to him that what has been mistaken for a scarcity of silver coin is a plethora of sovereigns, which have no concern whatever with the currency of India. This seems evident from the statements of the Collector of Tanjore, that "there seems to have been a great influx of sovereigns in the district;" and that "these coins, which heretofore were seldom or never procurable unless at a premium, appear now to be selling at a discount." The merchants who have exchanged the produce of the district for sovereigns, might have been left to pass off those sovereigns as though they had been any other sort of merchantable commodities, of which more than enough had been imported.

5. Under these circumstances, His Honor in Council cannot but

Notification of the Government of India, Financial Department, No. 26, dated 22nd December 1852.

regret that the currency at Tanjore should have been disturbed by the adoption of the measure now reported. The receipt, even of gold coins struck at an Indian Mint, instead of the legal currency of this country, is prohibited by the orders in force, which direct that "no gold coin" should "be received on account of payments due, or in any way to be made to the Government in any

No. 5. public treasury within the territories of the East India Company." This order was passed in consequence of the great inconvenience and loss to which the Government had been exposed in consequence of the receipt, at a fixed rate, under a Proclamation of the 13th January 1841, of gold coins struck under the provisions of Act XVII of 1835.

6. His Honor in Council requests that the further receipt of sovereigns at the Tanjore Treasury may be put a stop to. The sovereigns already received may be sold to the best advantage. It is requested that the order noted above in the margin may be strictly observed under the Madras Presidency in future; and that the dealings of the treasury at Tanjore, as everywhere else, may be restricted to the legal currency of the country.

Order thereon; No. 1497, dated 5th November 1858.

Ordered to be communicated to the Board of Revenue and the Accountant General for their information and guidance. They will at once put a stop to the receipt or issue of sovereigns into the Tanjore Collector's Treasury, under the orders noted in the margin. Mr. Prendergast will furnish the information required in paragraph 2 of the letter above recorded.

(Signed) W. H. BAYLEY,

Acting Secy. to Govt.

FORT ST. GEORGE, REVENUE CONSULTATION OF 25TH FEBRUARY 1859.

Read the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl., to W. H. BAYLEY, Esq., Actg. Secy. to Govt. of Fort St. George, Revenue Dept.,—No. 259, dated 13th November 1858.

With reference to the orders* of Government passed on a letter from the Secretary to the Government of India to this Government, dated the 12th ultimo, No. 5641, I have the honor to state that instructions have been sent to the Collector of Tanjore to discontinue forthwith the receipt of gold sovereigns in payment of revenue, and to retain those at present in his treasury until an opportunity offers for sending them to Madras for the purpose of being sold at the General Treasury to the best advantage.

* In Ex. Mins. of Cons. dated 5th Nov. 1858, No. 1497.

2. In the latter clause of the Government order, I am requested No. 5. to furnish the information required in the 2nd paragraph of the above-mentioned letter from the Government of India, as to the grounds on which Rs. 10 have been assigned as the par value of a gold sovereign, I beg to state that that expression is technically erroneous, but the error is on the side of the interests of Government. According to the Bombay Revised Assay Table, furnished to this Office with the order of Government, dated the 12th May 1856, No. 211, the intrinsic value of 100 sovereigns is Co.'s Rs. 1,027-1-2 $\frac{2}{3}$ or Co.'s Rs. 10-4-3 $\frac{1}{2}$ $\frac{2}{3}$ each, consequently, when the Collector of Tanjore proposed, and the Board of Revenue recommended, that the sovereigns should be received at only Rs. 10 each, I had no objection to their being received at Tanjore at that rate, being satisfied that at the Presidency they could be sold to advantage, and I at the same time suggested, when brought here, that they should be sold accordingly.

3. In this I have not been disappointed, as by the sale of the gold
* Entire sovereigns, 5,102.
 Half-sovereigns, 248. sovereigns* already received from the Collector of Tanjore, a clear gain has been effected of Co.'s Rs. 801-12-6, which has been credited in the accounts of the Sub-Treasurer to "Profit and Loss," as reported in my letter to Government dated the 14th ultimo.

Ordered, in consequence, that the following letter be despatched:—

*From W. H. BAYLEY, Esq., Actg. Secy. to Govt. of Fort St. George,
 to Secy. to Govt. of India, Finl. Dept.,—No. 1588, dated 27th
 November 1858.*

I am directed by the Governor in Council to acknowledge the receipt of your letter dated 12th October 1858, No. 5641, and to forward in reply copy of one from the Accountant General at this Presidency, furnishing the information required by the Government of India as to the grounds on which Rs. 10 have been assigned as the par value of the sovereign.

2. The Accountant General explains that the expression is technically erroneous, but that the error is on the side of the interests of Government; the intrinsic value of the sovereign being Rs. 10-4-3 $\frac{1}{2}$ $\frac{2}{3}$, and

No. 5. the sale at the Presidency of the sovereigns already received from Tanjore having resulted in a profit of Rs. 801-12-6.

3. The Government of India will observe from the communication now submitted that, agreeably to their directions, the further receipt of sovereigns at the Tanjore treasury has been discontinued.

Read the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl., to Chief Secy. to Govt. of Fort St. George,—No. 359, dated 5th February 1859.

In continuation of my letter to you of the 14th October last, No. 229, I have the honor to report that the Collector of Tanjore lately remitted to the Sub-Treasurer Rs. 34,430 in gold sovereigns, which have been sold at a profit of Rs. 652-8-3. Particulars of the sale are sub-joined :—

500 gold sovereigns (Eng. coinage) at Rs. 10 4 0 each,	Rs. 5,125	0	0
2,096 „ „ „ „ 10 3 3 „ „	21,353	0	0
697 „ „ (Australian coinage) „ 10 2 6 „ „	7,078	14	6
139 half-sovereigns (Eng. coinage) „ 5 1 6 „ „	708	0	6
161 „ „ (Australian coinage) „ 5 1 3 „ „	817	9	3
<hr/>			
Total,	Rs. 35,082	8	3
Deduct invoice value at Rs. 10 per sovereign „	34,430	0	0
<hr/>			
Difference credited to “ Profit and Loss,”	Rs. 652	8	3

2. The Collector of Tanjore has reported to me that he has received a further stock of sovereigns, since the despatch of the above remittance, from his Talooks, which were received by his Tehsildars prior to the prohibitory orders of the 5th November last, No. 1497. These sovereigns will be sent to Madras by the first opportunity, and will be disposed of likewise, and the result of their sale duly communicated to Government.

Order thereon; No. 242, dated 25th February 1859.

Ordered, that the foregoing letter be recorded.

J. D. BOURDILLON,

Secy. to Govt.

9TH TO 15TH JULY 1859.

Read the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl., to Chief Secy. to Govt. of Fort St. George,—No. 88, dated 4th July 1859:

In continuation of my letter of the 5th February last, I have the honor to report that the Collector of Tanjore has since remitted to the Sub-Treasurer 631 whole and 420 half-sovereigns, which have been sold for Rs. 8,555, or at a profit of Rs. 145, compared with the rate at which they were received. Particulars of the sale are herewith subjoined:—

410 whole sovereigns (Eng. coinage), at Rs. 10 3 0 each,	Rs. 4,176 14 0
50 half " " " 5 1 6 " "	254 11 0
221 whole " (Australian coinage), " 10 2 6 " "	2,214 8 6
370 half " " " 5 1 3 " "	1,878 14 0

Total Rs. 8,555 0 0

Deduct invoice value at Rs. 10 for the whole and Rs. 5

the half-sovereigns	Rs. 8,410 0 0
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Difference credited to Profit and Loss	Rs.	145 0 0
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2. The Collector of Tanjore has more sovereigns, which are expected with the remittance now coming by the "Coromandel." The sovereigns received from the Collector of Tanjore and sold here, up to this date, amounted to 9,026 whole and 968 half-sovereigns; the profit realized thereon, Rs. 1,599-4-9, has been placed to the credit of Government.

Order thereon ; No. 944, dated 15th July 1859.

Ordered, that the foregoing letter be recorded.

(Signed) J. D. BOURDILLON,

Secy. to Govt.

No. 5. PROCEEDINGS OF THE MADRAS GOVERNMENT, REVENUE DEPARTMENT, FROM
17TH TO 23RD SEPTEMBER 1859.

*Read the following letter from G. L. PRENDERGAST, Esq., Acctt. Genl.,
to Chief Secy. to Govt. of Fort St. George,—No. 216, dated 9th
September 1859.*

In continuation of my letter of the 4th July last, No. 88, I have the honor to report, for the information of Government, that the Collector of Tanjore has since remitted to the Sub-Treasurer a further supply of 1,344 whole and 897 half-sovereigns, which have been sold for Rs. 18,494-7-10, or at a profit of Rs. 569-10, compared with the rate at which they were received. Particulars of the sale are herewith subjoined:—

Sovereigns (English coinage) whole	907	
„ „ half 95 or	47½	
	<hr/>	954½
„ (Australian coinage) whole	437	
„ „ half 802 or	401	
	<hr/>	838
		<hr/>
		1,792½
at Rs. 10-5-1 each is Rs.	18,494	7 10
Invoice value „	17,925	0 0
	<hr/>	<hr/>
Difference credited to Profit and Loss Rs.	569	7 10

2. The total number of sovereigns received from the Collector of Tanjore and sold here, up to this date, amounts to 10,370 whole and 1,865 half-sovereigns, and the profit realized thereon is Rs. 2,168-12-7, which sum has been credited to Government.

Order thereon ; 21st September 1859, No. 1278.

Ordered, that the foregoing letter be recorded.

(Signed) J. D. BOURDILLON,
Secy. to Govt.

Memorandum by the Board of Revenue.

The Board of Revenue have no information before them on which they might form an opinion as to the necessity or expediency of introducing a gold currency. No communications have been received from any of the Collectors complaining of inconvenience experienced by the

agricultural or mercantile community in the Mofussil, in consequence of No. 5. the scarcity of silver; any opinion, therefore, that we may give must necessarily be based upon general views as to the necessities of the country, and not on official reports from the local authorities.

2. Agriculture is extending everywhere. There is a great demand for cotton, and indeed for every product of the field. Prices are at the same time exceedingly high. The farmers in consequence obtain large sums of money for their produce; and a great proportion of this money is not returned into other channels, but is buried and hoarded, for the people have no means readily available of employing it. This may be one among other causes why the circulating medium (silver) is daily becoming scarcer, and as long as the present state of things continues to exist, it must remain scarce.

3. The paper currency does not appear to give the relief required; the difficulty of changing the notes at the District Treasuries being, as it would seem, a check on their free circulation.

4. No doubt gold is in requisition and is finding its way into the interior, for packets of sovereigns are constantly sent up-country; and if a gold currency were introduced, we do not doubt that it would be very acceptable, and be eagerly taken in payment for agricultural produce. The surplus would be hoarded as silver now is; but silver coin would be released from the secret stores, and be replaced by the more convenient metal. In those purely agricultural districts where the wants of the simple people are comparatively small, money is accumulating; and there is no sufficient outlet for it in exchange for other things. It must then of necessity be hoarded, and gold is a more convenient metal than silver for that purpose; until a demand springs up in the country for foreign goods to an extent that will balance exports and imports, there must be, with the present demand and high prices for agricultural produce, a large surplus of unemployed money in the agricultural districts. Money must still be imported to pay for the produce. The hoarded stores must go on increasing; and as silver cannot be imported in sufficient quantities, gold may well be brought on, in the hope that it will help to restore some of the silver to circulation.

J. PELLY.

Madras, May 1864.

H. A. BREIT.

Mr. Clarke, Member of the Board of Revenue, is not at the Presidency.

No. 6.

APPENDIX No. 6.
Statement of Remittances received in aid of the Bombay General Treasury, from the 1st May 1862 to the 20th May 1864.

FROM WHENCE.	DATE OF RECEIPT.	AMOUNT AND NATURE OF THE REMITTANCES.					REMARKS.
		In Specie.	By sale of Bills at Bombay.	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay.	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Calcutta	1862. 31st May	.....	.....	5,00,000	.....	3,00,000	
Ditto	6th June	.....	.....	2,00,000	.....	
Ditto	30th "	.....	.....	5,50,000	.....	
Ditto	4th July	.....	.....	1,50,000	.....	2,00,000	
Ditto	7th "	.....	.....	5,50,000	.....	
Ditto	19th "	.....	.....	50,000	.....	
Ditto	21st "	.....	5,00,000		.....	
Ditto	22nd "	.....	3,35,000		.....	
Ditto	23rd "	.....	1,25,000		.....	
Ditto	24th "	.....	30,000		.....	
Ditto	25th "	.....	.....	.....	.....	2,00,000	
Ditto	29th "	.....	10,000		.....	
Ditto	14th August	.....	.....	.....	.....	2,00,000	
Ditto	15th "	.....	.....	.....	.....	1,00,000	
Madras	15th "	2,99,450	.....	.....	.....	.....	Copper coin.

Ditto	5th November	9,40,550	.....	.....	.....	.....	.....	.....	Copper (1,40,550) and small silver coin (8,00,000).
Calcutta	19th December	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	24th "	.....	.....	.....	.....	.....	.....	.....	.....
Calcutta	1863.								
Ditto	9th January	.....	1,20,000	.....	.....	.....	.....	.....	.....
Ditto	2nd "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	13th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	15th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	17th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	19th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	21st "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	17th February	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	24th "	6,00,000	.....	.....	.....	.....	.....	.....	.....
Ditto	26th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	2nd March	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	3rd "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	4th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	9th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	12th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	18th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	24th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	28th "	.....	.....	.....	.....	.....	.....	.....	.....
Ditto	13th "	.....	.....	.....	.....	.....	.....	.....	.....
Madras	25th "	22,00,000	.....	.....	.....	.....	.....	.....	.....
Ditto	8th April	.....	.....	.....	.....	.....	.....	.....	.....
	Carried forward	40,40,000	11,20,000	53,05,000	.....	.....	.....	53,50,000	.....

Copper coin.

No. 8.

Statement of Remittances received in aid of the Bombay General Treasury,—continued.

FROM WHENCE.	DATE OF RECEIPT.	AMOUNT AND NATURE OF THE REMITTANCES.					REMARKS.
		In Specie.	By sale of Bills at Bombay.	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay.	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Madras	Brought forward	40,40,000	11,20,000	53,05,000	.....	53,50,000	
Ditto	9th April	.....	.....	30,000	.....	
Ditto	11th "	.....	.....	10,000	.....	
Ditto	15th "	.....	.....	15,000	.....	
Ditto	17th "	.....	.....	25,000	.....	
Ditto	30th "	.....	.....	95,000	.....	
	Total	40,40,000	11,20,000	54,80,000	.....	53,50,000	
	1863.						
Madras	19th June	.....	1,25,000				
Ditto	20th "	.....	3,00,000				
Ditto	23rd "	.....	2,50,000				
Ditto	29th "	.....	50,000				
Calcutta	1st July	.....	1,00,000			10,00,000	
Ditto	2nd "	.....				

No. 6.

Statement of Remittances received in aid of the Bombay General Treasury,—continued.

FROM WHENCE.	DATE OF RECEIPT.	AMOUNT AND NATURE OF THE REMITTANCES.					REMARKS.
		In Specie.	By sale of Bills at Bombay.	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay.	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Madras	Brought forward	58,83,000	21,25,000	24,92,000		50,00,000	
Ditto	9th December	1,00,000	.....	.....	.....	.....	Copper coin.
Ditto	10th "	.....	.....	3,00,000	.....	.....
Ditto	11th "	8,00,000	.....	2,00,000	.....	.....
Ditto	12th "	7,00,000	.....		.....	.....
Calcutta	1864.						
Madras	12th January	.....	.....	.....	40,00,000	.....	On account chiefly of a remittance of forty lakhs of silver bullion sent from Bombay to Madras for coinage, in reference to an investment in Government Securities at Calcutta, on behalf of the Bombay Currency Department.
Ditto	6th "	5,00,000	.....	.....	.....	.....
Ditto	7th "	7,00,000	.....	.....	.....	.....
Ditto	8th "	6,00,000	.....	.....	.....	.....
Ditto	9th "	7,00,000	.....	.....	.....	.....
Ditto	11th "	10,00,000	.....	.....	.....	.....
Ditto	12th "	7,00,000	.....	.....	.....	.....
Ditto	13th "	4,50,000	.....	.....	.....	.....
Ditto	16th "	1,50,000	.....	.....	.....	.....
Ditto	22nd "	.....	.....	3,00,000	.....	.....

No. 6.

Statement of Remittances received in aid of the Bombay General Treasury,—continued.

FROM WHENCE.	DATE OF RECEIPT.	AMOUNT AND NATURE OF THE REMITTANCES.					REMARKS.
		In Specie.	By sale of Bills at Bombay.	Produce of Bills on Bombay elsewhere.	Transferred from Currency Department in connection with investment in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay.	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Madras	Brought forward	31,00,000					
...	13th May	2,00,000					
Ditto	19th "	10,00,000					
Calcutta	20th "						
Ditto	20th "						
							In silver bullion.
		43,00,000					
	Total	2,29,53,000	34,45,000	1,10,72,000	90,00,000	1,10,00,000	
<i>Remittances to subordinate Treasuries, Bombay Presidency.</i>							
1862.							
N. W. Provinces...	May		1,29,500				
	June		1,39,500				
	July		73,500				
	August		36,500				

No. 6.

Statement of Remittances received in aid of the Bombay General Treasury,—concluded.

FROM WHENCE	DATE OF RECEIPT.	AMOUNT AND NATURE OF THE REMITTANCES.					REMARKS.
		In Specie.	By sale of Bills at Bombay.	Produce of Bills on Bombay purchased elsewhere.	Transferred from Currency Department in connection with investments in Government Securities at Calcutta.	By transfers in account between the Banks of Bengal and Bombay.	
		Rs.	Rs.	Rs.	Rs.	Rs.	TOTAL.
Calcutta	1862-63	6,00,000	11,20,000	51,80,000	.....	53,50,000	Rs. 1,22,50,000
Ditto	1863-64	.....	10,00,000	.....	50,00,000	56,50,000	Rs. 1,16,50,000
Ditto	1864-65	.....	.....	.....	40,00,000	.....	Rs. 40,00,000
Madras	1862-63	34,40,000	.....	3,00,000	.....	.....	Rs. 37,40,000
Ditto	1863-64	1,46,13,000	11,25,000	54,92,000	.....	.....	Rs. 2,12,30,000
Ditto	1864-65	43,00,000	.....	.....	.....	.....	Rs. 43,00,000
N. W. Provinces	1862-63	.....	9,18,500	.....	.....	.....	Rs. 9,18,500
Ditto	1863-64	.....	22,27,000	.....	.....	.....	Rs. 22,27,000
East and West Berar	1863-64	12,40,000	2,50,000	1,00,000	.....	.....	Rs. 15,90,000
Punjab	1863-64	12,00,000	.....	.....	.....	.....	Rs. 12,00,000
	Total	2,53,93,000	66,40,500	1,10,72,000	90,00,000*	1,10,00,000	Rs. 6,31,05,500

NOTE.—Amount of Secretary of State's bills paid—

In 1862-63 ... Rs. 2,11,49,775

In 1863-64 ... " 3,58,59,000

Total, Rs. 5,70,08,775

* Besides this, bullion to the value of forty lakhs of Rupees was withdrawn from the Currency Department at Bombay in further payment for investments made at Calcutta, and was sent to Madras to be minted and remitted to reinforce the Government balance at Bombay. These forty lakhs are included in the remittances from Madras in January 1864.—See page 47.

• The 25th May 1864.

S. D. BIRCH,
Deputy Auditor and Accountant General.

APPENDIX No. 7.

Extract from a Memorandum by MR. ARBUTHNOT, of Her Majesty's Treasury,—dated 20th August 1858.

Into the West Indies, as into other American Colonies, the British No. 7. settlers carried with them originally the form of money accounts of the mother-country; but, as the supply of coins for circulation was obtained from the Spanish Provinces, it became necessary to adapt them to the system of account in use, by rating each for currency according to its supposed value expressed in the terms of British money. The errors to which this necessity gave rise, and the causes of them, have been so clearly and accurately described in Mr. Pennington's work on the currency of the British Colonies, that it is unnecessary to enter here into particulars. It is sufficient to observe that in each Colony different rates were assigned to the coins of Spain and South America. Arbitrary valuations were adopted without regard to any principle, and the confusion applied, not only to the silver coins, but to the gold coins in circulation. Hence the pound currency represented in no Colony the value of the pound sterling, and in each Colony a different value. The confusion arising from local legislation was further complicated by the proceedings of the Home Government. In the West Indies the doubloon was generally overvalued relatively to the dollar, and gold became therefore practically the standard of value in those Colonies. The Order in Council of 1825, however, referred only to the silver coinage, and declared 4s. 4d. sterling to be equal to the dollar. A higher rate was thus assigned to that coin than its intrinsic contents of precious metal justified, according to the prevailing price of silver relatively to gold; but this was not all, for, as in the West Indies, a silver dollar was deemed to be equal to 1-16th of a doubloon, it was concluded that 4s. 4d. was also equal to 1-16th of a doubloon. Hence it followed that not only silver dollars, but also British gold and silver coins (both being undervalued with reference to the doubloon) were practically excluded from the currency of the Islands.

It was the object of the Order in Council and Proclamation of 1838 to reduce this confusion to order by ascertaining and fixing the relative value of foreign coins to sterling money. The gold coins were rated for circulation according to their contents of pure gold as compared with the pure gold in the British sovereign: the silver coins were rated on

No. 7. the same principle; but, as the simple comparison of weight and fineness would not apply in the case of money consisting of different metals, the uncertain element was introduced of rating the silver coins for circulation according to an average of the relative value of gold and silver in the European market. Though fluctuations in the price of one, as compared with the other, were not unfrequent, according to the varying demands arising from the course of exchange between different countries, it was found that, for a long series of years, the price of silver, of British standard quality, in London, had never greatly deviated from 5s. the ounce, and on this basis the Spanish and Mexican dollar was rated for circulation at 50*d*.

It is not unworthy of remark that this valuation exhibited a fortunate coincidence of principle and convenience. It afforded a simple rule for the conversion of the dollar into the denomination of British money; and it equally facilitated the conversion of British money into the decimal system of account founded on the dollar, as the half-penny represented the one-hundredth part of that coin.

The measure was followed by Acts of the Legislatures of the several West Indian Colonies for the purpose of adjusting contracts in the local currencies to the new valuation; and finally by the general adoption of the system of account of the United Kingdom corresponding in its terms with the coins of the realm. These proceedings were attended with perfect success. The concurrent use of British with foreign coins at the rates assigned to them was established in the West Indies; but it happened that, although, previously to 1838, the currency had been based on a gold standard, the proclamation of that year led in the first instance to the general use of silver dollars, and the circulation was principally maintained by the importation of dollars from the Mexican Mint, until the discoveries of gold in California and Australia led to a new direction of the trade in silver.

Mr. Pennington, whose agency was employed in the arrangements of 1838, was, however, too sagacious to suppose that any measure for the adaptation of coins of different metals for concurrent circulation could be regarded in the light of a permanent settlement. A true standard of value can only be founded on a single metal. What is termed a double standard can, at best, be only an alternative standard, hanging on an uncertain balance. The Proclamation of 1838 assumed gold, the

standard of Great Britain, as the basis to which foreign silver coins should be adjusted according to the then existing relative value of the two metals; but it was observed in Mr. Pennington's book on Colonial Currency that "if the market value of gold and silver should permanently vary from the proportion fixed in the Order in Council and Proclamation of 1838, the cheaper metal will practically become the principal measure of value in the Colonies, and all money contracts will be discharged in that cheaper metal." No. 7.

This result ensued so soon as the discoveries of gold in California had a sensible effect on silver. It then became no longer a profitable operation for the Banks to obtain supplies of dollars from the Mexican Mint, and gold coins, or British silver, the representative of a gold currency, took their place. The transition occasioned probably some inconvenience to the Banks; but it was effected without disturbing contracts, and without detriment, therefore, to the community at large. British silver, which passes as an unlimited tender in the West Indies, fulfilled an intermediate function throughout, for it continued to circulate as tokens for the fractional parts of the pound sterling, whether that pound was considered to consist of 1,776 grains of fine silver, under the Proclamation of 1838, or of 113·001 grains of fine gold contained in the sovereign.

The currency of the other British Colonies in North America has been regulated on the same principle, but, owing to local circumstances, with some variations of detail. It may be observed that, previously to 1838, the proportions assigned by the Mint laws of the United States to the gold and silver coins of that country had rendered the former the cheaper medium of payment. In Canada, foreign silver coins were rated for circulation according to a more strict analysis of the relative value of the two metals, and in consequence there was a tendency to a flow of the silver dollars of the United States from that country, in which they were undervalued, into Canada, where they circulated at their intrinsic value. Some local inconvenience was experienced on the borders of the two countries from this difference in their currency regulations; but if the attempt had been made to reconcile the discrepancy, by assimilating the law of Canada to the Mint law of the United States, the consequence would have been that gold would have become, by a forced operation, the principal medium on which contracts would have been based in Canada. This change has been since effected, in the natural course

No. 8. of events, by the rise in the price of silver ; and the result of the whole series of proceedings is, that gold has become the measure of value throughout North America, the various currencies of the British Colonies and the United States being adjusted to that standard. Many persons who confound the denomination of money with its representative in coins, the sign with the substance, continue to regard the dollar as the general coin of the world ; but the dollar of Spain and Mexico, which may once have claimed this attribute, has been banished to the East.

APPENDIX No. 8.

Remarks on the importation of Bullion into India with quotations.

India has for many years received large amounts of gold from Australia, partly as returns for direct shipments of produce, and partly through the influence of the Banks in working exchanges with the Colonies and England.

Gold generally finds a ready market in Calcutta. During the past three years, sales were only suspended for about a month in December last, when our money market was at its lowest state of depression, and when Government Securities were equally unsaleable.

In December last, sovereigns of English and Australian coinage were in no case quoted under Rs. 10 in Calcutta, and although bar gold standard, was stated at one time to be marketable only at Rs. 14 per tolah, I doubt whether any sales were effected at so low a price.

I reckon that India imported from Australia, in the year 1863, gold to the value of £2,000,000, and from Europe to the value of £991,112, or, in round numbers, three millions sterling in all.

As far as can be judged, all this gold has been devoted to purposes of hoarding and the manufacture of ornaments. It is said that on the Bombay side, bars of gold stamped with the names of some of the local Banks, the quality and value, have obtained some currency as tokens for money, but such a system has not been tried in Bengal, although gold similarly marked is imported into Calcutta. The marks alluded to are used to assist sellers, and are much appreciated by the Natives.

The Sydney Mint sells gold bar of standard fineness at a price of No. 8. £3-17-10½ per ounce, free of export duty. The freight, insurance, &c., on gold from Australia to India is about one and three quarters per cent., or say 1s. 4d. per ounce; Sydney Mint gold, standard, can consequently be laid down in Calcutta at £3-19-2½, or Rs. 39-9-8 per ounce, equal to Rs. 14-13-7½ per tolah.

In Melbourne there is a keen competition for gold, which is bought by the Banks in the open market. Recent prices are somewhat above the average, which may be taken at £3-15-6 per ounce standard. This gold is subject to an Australian export duty of 1s. and 6d. per ounce on the actual weight. After allowing for this duty and for freight and insurance, the gold can be laid down in Calcutta at £3-18-4, or Rs. 39-2-8 per ounce, or Rs. 14-11 per tolah.

The expense of sending gold from England is equal to three per cent. Thus, gold shipped from England at £3-17-10½ per ounce costs the importer in Calcutta £4-0-2½, or Rs. 40-1-8 per ounce, or Rs. 15-0-7 per tolah.

Australian coined gold (sovereigns) can be laid down in Calcutta at Rs. 10-2-9 each, and English coined gold at Rs. 10-4-10 per sovereign.

The Rupee in the above calculations has been taken as the equivalent of 2s.

If a gold currency were to be introduced in India, and the Calcutta Mint purchasing price was fixed at the same figure as that of the Bank of England, £3-17-9, or Rs. 38-14-0 per ounce, or Rs. 14-9-3 per tolah, an importer from Australia would obtain his coin at a cost of 2s. 0 7/16d. per rupee from Sydney, and 2s. 0 1/16d. per rupee from Melbourne, whilst an importer from England would obtain his rupee at a cost of 2s. 0 3/4d.

The importers of coin, if the sovereign were accepted in India as a legal tender for Rs. 10, would obtain their rupee at 2s. 0 3/4d. from London, and at 2s. 0 7/16d. from Australia.

The cost of sending gold from Australia to England is the same as to India, one per cent. freight, and 3/4 per cent. insurance and other charges. Most of the gold sent to England is despatched via the Cape in clippers. These clippers are, as an average, 75 to 80 days on the passage. As gold can be realized at once in England, it is reasonable to assume that gold bar can be converted into coin in London 80 days from the date of shipment in Australia.

No. 8. Gold shipped to India by the Peninsular and Oriental Steamers in 38 days in transit, and when the gold is sold, a prompt (or time for taking delivery) of 10 up to 30 days has to be allowed; consequently gold sent to India is not realized till fully 60 days after shipment in Australia.

But most of, if not all, the gold received in India from Australia is for sale and remittance to London. These remittances are made in Bills of Exchange at usance, or six months' sight. Taking, therefore, the time occupied in despatching the gold to India, the sale and the remittance of the proceeds, including the "Post" and usance of the Bills, Australian gold sent through India is not turned into coin in London, until 275 days after its despatch or shipment in Australia.

The loss of time in realizing gold in London, when sent through India, in comparison with direct shipments, is about six and a half months. At a rate of interest at 6 per cent. per annum, this loss is equal to 2*s.* 6*d.* per ounce. The operators in exchanges generally cover this loss by the rate at which they convert the rupee into sterling by the purchase of Bills on England.

The following Table will show the results of gold sent to India from Australia for remittance of proceeds to England at various rates of exchange, as compared with direct shipments from Australia to England, the cost of the shipment being identical.

The selling price of the gold in Calcutta is taken at Rs. 38-14-0, (or Rs. 14-9-3 per tola,) the equivalent at 2*s.* per rupee of £3-17-9, the Bank of England buying price, at which the sale in England is also supposed to be made;—

Rate of Exchange.	Equivalent.	Interest 6½ months, at 6 per cent. per annum.	Net.	Loss on Indian Shipment.	Profit on Indian Shipment.
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
2 0	3 17 9	0 2 6	3 15 3	0 2 6	...
2 0½	3 18 6½	0 2 6	3 16 0½	0 1 8½	.....
2 0½	3 19 4½	0 2 6	3 16 10½	0 0 10½	.....
2 0½	4 0 2	0 2 6	3 17 8	0 0 1	.....
2 1	4 0 11½	0 2 6	3 18 5¾	.....	0 8½
2 1½	4 1 9½	0 2 6	3 19 3½	.....	1 6½
2 1½	4 2 7½	0 2 6	4 0 1¾	.....	2 4½
2 1½	4 3 5	0 2 6	4 0 11	.....	3 2
2 2	4 4 2½	0 2 6	4 1 8½	.....	3 11½
2 2½	4 5 0½	0 2 6	4 2 6½	.....	4 9½
2 2½	4 5 10	0 2 6	4 3 4	.....	5 7

The price at which the gold is taken, as sold in Calcutta, will be No. 8. found to be under the average when compared with quotations for the last few years.

The amount of gold imported into India from China is inconsiderable, and there is no chance of any large supplies being obtained from thence.

In the present state of Indian currency, the following Table may be interesting; it gives the out-turn of bar silver, standard, purchased in London, and sent for coinage to the Calcutta Mint.

The charges, such as freight, insurance, brokerage, &c., are computed at $3\frac{1}{4}$ per cent., and the Mint seignorage is duly considered.

Cost in London, $4\ 10\frac{3}{4}$ per ounce, gives the Rupee at a cost of 23·0d.

4 11	...	...	...	23·1
4 $11\frac{1}{4}$	...	...	...	23·2
4 $11\frac{1}{2}$	...	...	...	23·3
4 $11\frac{3}{4}$	...	...	...	23·4
5 0	...	...	...	23·5
5 $0\frac{1}{4}$	...	...	...	23·6
5 $0\frac{1}{2}$	...	...	...	23·7
5 $0\frac{3}{4}$	...	...	...	23·8

Cost in London, 5 1 per ounce, gives the rupee at a cost of 23·9

5 $1\frac{1}{4}$	...	...	...	24·0
5 $1\frac{1}{2}$	...	...	...	24·1
5 $1\frac{3}{4}$	...	...	...	24·2
5 2	...	...	...	24·3
5 $2\frac{1}{4}$	...	...	...	24·4
5 $2\frac{1}{2}$	...	...	...	24·5
5 $2\frac{3}{4}$	...	...	...	24·6
5 3	...	...	...	24·7

and for each additional farthing in the price of bar silver, $\frac{1}{10}$ th of a penny should be added to the cost as given.

Calcutta is taken as the place of import.

During the greater part of last year, the Council Bills on India sold on the Fort William Treasury at $1-11\frac{1}{2}$ to 2s. per rupee. This rate may be fairly taken as the equivalent of the price at which there would be a special demand for bar silver for Calcutta, apart from other places, and represents 5s. to 5s. $1\frac{1}{4}$ d. per ounce.

No. 8. The latest rate at which bills were drawn (in January) was $2s. 0\frac{3}{8}d.$, or equal to bar silver at $5-2\frac{1}{4}$ per ounce at the outside.

But remitters from England in the present state of the Calcutta money market would readily give $\frac{1}{16}$ th to $\frac{1}{8}$ th of a penny per rupee more for the Council Bills than for bar silver, as the bills are payable on demand, and the silver in bars must be coined before it is available. The present rate of Council Bills may fairly be computed as equal to $5s. 2d.$ per ounce of bar silver in London.

CALCUTTA,
The 6th March 1864. }

H. G. DUNLOP.

Selling prices of Bar Gold and Bar Silver of standard quality in London. No. 8.

			1862.		1863.		1864.	
			Gold.	Silver.	Gold.	Silver.	Gold.	Silver.
							s. d.	s. d.
January	...	10	77 11 0	5 1 0½	78 0	5 1 0½	77 11½	5 1½
		26	77 11 0	5 1 0½	0 0	5 1 0½	77 11	5 2
February	...	10	77 11 0	5 1 0½	77 11½	5 1 0½	77 10½	5 1½
		26	77 11 0	5 1 0½	77 11	5 1½ @ 0½	77 10½	5 1½
March	...	10	77 11 0	5 1 0½	77 11	5 1 0½	77 10½	5 1½
		26	77 11 0	5 1 0½	77 10½	5 1 0½	77 11	5 1½
April	...	10	77 11 0	5 1½ @ 0½	77 10½	5 1 @ 0½	77 11½	5 1½
		26	77 11 0	5 1 0½	77 10½	5 1 @ 0½	77 11	5 1½
May	...	10	77 11 0	5 1 0½	77 11	5 1½ @ 0½		
		26	.....	5 1 0½	77 11½	5 1 0½		
June	...	10	78 0 0	5 1 0½	77 11½	5 1 0½		
		26	77 11 0	5 1 0½	77 10½	5 1 0½		
July	...	10	77 11 0½	5 0½ @ 5½	77 10½	5 1 @ 51½		
		26	77 11 0	5 1 @ 0½	77 10½	5 1 @ 0½		
August	...	11	77 11 0	5 1 0½	77 10½	5 1 0		
		26	77 11 0	5 1 0½	77 10½	5 1 @ 0½		
September	...	10	77 11 0½	5 1 0½	77 10½	5 1 0½		
		26	77 11 0½	5 1 0½	77 10½	5 1½ @ 0½		
October	...	10	77 11 0½	5 1 0½	77 10½	5 1 0½		
		26	.....	5 1 0½	77 10½	5 1 0½		
November	...	10	78 0 0½	5 2 0½	78° 0	5 1 0½		
		26	78 0½ @ 78-1	5 1 0½	77 10½	5 1½ @ 0½		
December	...	10	78 0 0½	5 1 0½	77 10½	5 1½ @ 0½		
		29	77 11½ @ 0½	5 1½ @ 0½	77 11	5 1½ @ 0½		

Quotations for Australian Gold in Calcutta.

	22 CARAT BAR.		24 CARAT BAR.		Sovereigns.
	Per tolah.	Per ounce.	Per tolah.	Per ounce.	
6th January 1859	14 0 0	37 5 4	15 4 4	40 11 6 $\frac{1}{2}$	10 1 6
20th "	14 0 0	37 5 4	15 4 4	40 11 6 $\frac{1}{2}$	10 2 0
5th February	14 0 0	37 5 4	15 4 4	40 11 6 $\frac{1}{2}$	10 3 0
21st "	14 0 0	37 5 4	15 4 4	40 11 6 $\frac{1}{2}$	10 3 0
7th March	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 5 0
21st "	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 5 0
7th April	15 0 0	40 0 0	16 5 9	43 10 0	10 6 0
21st "	15 0 0	40 0 0	16 5 9	43 10 0	10 7 0
2nd May	15 0 0	40 0 0	16 5 9	43 10 0	10 8 0
16th "	15 0 0	40 0 0	16 5 9	43 10 0	10 4 0
2nd June	14 12 0	39 5 4	16 1 5	42 14 5 $\frac{1}{2}$	10 3 0
16th "	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 7 0
1st July	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 6 0
15th "	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 5 0
6th August	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 6 0
20th "	14 8 0	38 10 8	15 13 1	42 2 10 $\frac{3}{4}$	10 7 0
8th September	15 0 0	40 0 0	16 5 9	43 10 0	10 9 0
21st "	15 0 0	40 0 0	16 5 9	43 10 0	10 10 0
8th October	Doorga	Poojah	Holidays		
21st "	15 0 0	40 0 0	16 5 9	43 10 0	10 9 0

No. 8.

Quotations for Australian Gold,—continued.

	22 CARAT BAR.		24 CARAT BAR.		Sovereigns.
	Per tolah.	Per ounce.	Per tolah.	Per ounce.	
7th November 1859...
21st " "
7th December " "
21st " "
6th January 1860...
21st " "
7th February " "
21st " "
7th March " "
21st " "
5th April " "
20th " "
2nd May " "
17th " "
1st June " "
16th " "
3rd July " "
18th " "
7th August " "
21st " "

No. 8.

Quotations for Australian Gold,—continued.

	22 CARAT BAR.		24 CARAT BAR.		Sovereigns.
	Per tolah.	Per ounce.	Per tolah.	Per ounce.	
7th November 1861 ...	14 12 6	39 6 8	16 2 0	43 0 0	10 3 0
21st " " ...	14 12 11	39 7 9½	16 2 6	43 1 4	10 3 0
7th December " ...	14 13 5	39 9 1½	16 3 0	43 2 8	10 4 6
21st " " ...	14 13 5	39 9 1½	16 3 0	43 2 8	10 3 0
8th January 1862 ...	14 13 5	39 9 1½	16 3 0	43 2 8	10 4 0
21st " " ...	14 13 5	39 9 1½	16 3 0	43 2 8	10 4 6
7th February " ...	14 15 3	39 14 0	16 3 0	43 8 0	10 4 6
21st " " ...	14 13 5	39 9 1½	16 5 0	43 2 8	10 5 6
7th March " ...	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
21st " " ...	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
7th April " ...	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
21st " " ...	14 15 3	39 14 0	16 5 0	43 8 0	10 4 0
7th May " ...	14 12 6	39 6 8	16 2 0	43 0 0	10 3 0
21st " " ...	14 11 7	39 4 2½	16 1 0	42 13 4	10 1 6
6th June " ...	14 11 7	39 4 2½	16 1 0	42 13 4	10 2 0
20th " " ...	14 12 6	39 6 8	16 2 0	43 0 0	10 2 6
7th July " ...	14 12 6	39 6 8	16 2 0	43 0 0	10 2 6
21st " " ...	14 11 7	39 4 2½	16 1 0	42 13 4	10 2 0
7th August " ...	14 9 9	38 15 4	15 15 0	42 8 0	10 3 0
21st " " ...	14 10 8	39 1 9½	16 0 0	42 10 8	10 1 6

No. 8.

Quotations for Australian Gold,—concluded.

	22 CARAT BAR.		24 CARAT BAR.		Sovereigns.
	Per tolah.	Perounce.	Per tolah.	Per ounce.	
6th November 1863 ...	14 14 9	39 12 8	16 4 6	43 6 8	10 5 0
21st " " ...	14 14 0	39 10 8	16 4 0	43 5 4	10 5 0
8th December " " ...	14 7 0	38 8 0	15 12 0	42 0 0	10 1 6
22nd " " " ...	14 6 1	38 5 6 $\frac{3}{4}$	15 11 0	41 13 4	10 1 0
8th January 1864 ...	14 2 1	37 10 10 $\frac{3}{4}$	15 7 0	41 2 8	10 1 0
22nd " " " ...	14 7 0	38 8 0	15 12 0	42 0 0	10 1 0
8th February " " ...	14 10 8	39 1 9 $\frac{1}{4}$	16 0 0	42 10 8	10 1 6
22nd " " " ...	14 12 6	39 6 8	16 2 0	43 0 0	10 1 6
8th March " " " ...	14 11 7	39 4 2 $\frac{3}{4}$	16 1 0	42 13 4	10 1 9
22nd " " " ...	14 11 7	39 4 2 $\frac{3}{4}$	16 1 0	42 13 4	10 1 6
8th April " " " ...	14 12 11	39 7 6 $\frac{1}{4}$	16 2 6	43 1 4	10 1 0
22nd " " " ...	14 12 11	39 7 9 $\frac{1}{4}$	16 2 6	43 1 4	10 1 3
8th May " " " ...	14 11 7	39 4 2 $\frac{3}{4}$	16 1 0	42 13 4	10 2 0
22nd " " " ...	14 9 9	38 15 4	15 15 0	42 8 0	10 1 3
8th June " " " ...	14 9 9	38 15 4	15 15 0	42 8 0	10 1 1

APPENDIX No. 9.

*From the HON'BLE CLAUD BROWN, to the HON'BLE SIR C. E. TREVELYAN,
dated Calcutta, 28th May 1864.*

When you last did me the favor to speak with me on the important No. 9. question of the establishment of a gold currency for this country, you asked me to write you anything that might occur to me on the subject.

I now do so, more in order that I should not seem to neglect your request than with the expectation that my remarks can prove of value, for though I have given the matter some consideration, I have never got beyond the primary obstacle to what I understand as your scheme. I believe the arrangement which you are desirous of carrying out, and which is understood to have the support of Her Majesty's Secretary of State for India, is the simple but complete one of making the English (and Australian) sovereign a legal tender for Rs. 10 throughout India, leaving the silver coinage as it is for the present, pending the time when the general adoption of gold as the medium for all large payments will justify the reduction of silver to the subsidiary position in the currency which it occupies in the mother country.

That under such an arrangement, sovereigns would be readily and rapidly received into general circulation, I have little doubt, but the first and most essential condition is that some one must provide the sovereigns, and my difficulty is that I do not think it can be done at the price.

We may fairly assume that the average selling price of gold, over a series of years in this market, is an index to the rate at which—with reference to the state of the exchanges—it can profitably be laid down here, and that if the prices ruling afforded anything more than a moderate profit, the effect would be seen in a great addition to the supply, and a general reduction of value to a level, corresponding with that ruling in the other markets of the world.

I have taken the average of our own sales of Australian gold in the years 1861 and 1863, and find it to be Rs. 14-14-3 per sicca mohur of 22 carat fine. If we include the first four months of this year, during which the value was exceptionally affected by the monetary crisis, the average is reduced to Rs. 14-13-9½ on total sales of Rs. 17,02,708.

No. 9. To check this result, I have taken the average of the quotations during the three years from our monthly circular, and find it to be Rs. 14-13-4, so that I think we may fairly conclude that the value of gold of standard quality has, during the past three years, been as nearly as may be, Rs. 14-14 per sicca mohur.

At this price the 5 dwts. $3\frac{1}{4}$ grs. which an English sovereign contains, will be worth Rs. 10-2-11, and when to this is added seignorage at the rate of 1 per cent., the cost of the coin will be Rs. 10-4-6.

It would be too much to say that we may not have such a reduction in the value of gold as would enable the sovereign to be supplied at a cost of Rs. 10; but for my own part I do not see any valid ground for expecting such a change, especially when due allowance is made for the effect which the adoption of gold, as a circulating medium in India, must have in checking any tendency that might otherwise have existed to a decline in the value of the metal.

Periods of temporary decline may no doubt occur, as at this moment, when 22 carat fine is not worth more than Rs. 14-10-6 to Rs. 14-11, but it would not be safe to argue from these.

Should the final result of your investigation of the contents of the "Gold Box," of which you told us, lead you to the conclusion that we cannot obtain English sovereigns for Rs. 10, I cannot but fear that the fact must prove fatal to the completeness of the system you were desirous of introducing, though it will not, I hope, prevent your arriving at the desired end in a certain degree. The *main* object, after all, is the provision of a gold currency for India, and though there would be *very* great advantage in doing this by means of a coin which circulates throughout all parts of Her Majesty's dominions, still there is much good to be had out of even a less complete scheme.

Without having had any opportunity of considering the arguments which may no doubt be advanced against such a course, it occurs to me that the best alternative would be to coin an *Indian* sovereign identical in fineness with the English coin, but inferior in weight by so much as would admit of its being turned out at a cost of Rs. 10.

APPENDIX No. 10.

MEMO.—By MR. PENNEFATHER, *Auditor General of Ceylon, on the Currency of that Island.*

The currency of Ceylon is regulated as follows:—

No. 10.

1st.—The Regulation No. VIII of 1825 directs accounts to be kept in pounds, shillings, and pence, and declares that “British silver coin, whereof sixty-six shillings go to one Pound Troy of standard silver, should be received as “the lawful coin of the Island,” and that such British silver coin should “be a legal and full tender in every matter of account or debt.”

2nd.—The Governor’s Minute of September 26th, 1836, orders the rupee to be taken at two shillings, and its fractional parts at corresponding values.

3rd.—The Ordinance of 1857, No. 5, “The coining prevention Ordinance,” enacts (Clause 5) that for the purposes of the Ordinance—

“The Company’s Rupee,
The Company’s Half-Rupee,
The Company’s Quarter-Rupee,

shall be deemed to be silver coins lawfully current in this Colony.”

4th.—The Governor’s Minute of October 18th, 1851, publishes the decision of the Secretary of State for the Colonies that—

“A local Ordinance is not necessary to give legal currency within “the Island to the gold coins of this realm, which, as being issued from “Her Majesty’s Mint, under Her Royal authority, are a legal discharge “for the sums they represent throughout Her Majesty’s dominions.”

5th.—The Royal Proclamation of October 22nd, 1856, promulgated here on July 15th, 1857, ordered Australian sovereigns and half-sovereigns to “be current and lawful money within our Colonies of Ceylon, Mauritius, and Hong-Kong, and that they should pass and be received as current and lawful money therein by the names aforesaid, and at the values hereinbefore assigned to them.”

No. 10. It follows, then, that sovereigns, whether British or Australian, are a legal tender for twenty shillings each in Ceylon, and as the rupee passes, by the Governor's order, for two shillings, it would seem that the sovereign is a recognized tender for Rs. 10. It is a *legal* tender for this sum to this extent, that a public servant is bound, by the Minute of September 26th, 1836, to take indifferently Rs. 10 or a sovereign for twenty shillings, in satisfaction of revenue debts. It may be doubtful whether, as the Ordinance of 1857, No. 5, only makes it penal to counterfeit a rupee, and does not specify any value for the coin as part of the currency, the rupee is a legal tender at all among the general public, but it is received without hesitation for any amount at a value of two shillings. There is no limit here beyond which silver ceases to be a legal tender.

In practice the difficulty would be to get any one to tender a sovereign for so little as Rs. 10, gold being almost always at a premium. On one occasion, however, one of the Banks, having a large stock of gold, issued a considerable quantity at par. It was taken eagerly, and nearly one-half of the notes of the Bank in circulation were returned into its hands. Subsequently, there was some dissatisfaction in the interior owing to the scarcity of change, the Bank, on issuing gold, having ceased to issue silver. This, however, was a minor point, speedily rectified.

The enclosed paper shows the extreme valuations for sovereigns given by one of the local Banks during the years 1862 and 1863.

The rupee and the British currency circulate, side by side, throughout Ceylon, but by far the greater portion of the silver in the island is of the Indian coinage. If anything, the rupee is taken in preference to English silver.

This is due to three causes, mainly—

1st.—Its greater metallic value than its British correspondent, the florin. The latter weighs 174·6 grains, containing 152·8 grains of silver; the former, 180 grains, of which 165 are silver. A similar remark applies to the fractional parts of the respective coins.

2nd.—The quantity of depreciated English silver, which some years ago was imported into Ceylon, and which was refused at the

Kutcheries. The great majority of these depreciated coins have now No. 10. been absorbed. They are very rarely met with.

3rdly and principally.—As Indian currency, the rupee is sought by the Malabar coolies returning to the Coast. Hence it is always in demand in the planting districts.

Prices of Sovereigns ruling in Colombo during 1862 and 1863.

1862.		Australians.		British.	
January ...	...	£ 1 10 0	...	£ 2 10 0	premium.
February ...	...	„ 1 1 0	...	„ 0 0 0	„
March ...	...	„ 0 15 0	...	„ 0 0 0	„
April ...	...	„ 0 17 6	...	„ 0 0 0	„
May ...	...	„ 0 15 0	...	„ 0 0 0	„
June ...	...	„ 0 15 0	...	„ 2 7 6	„
July ...	...	„ 0 12 6	...	„ 0 0 0	„
August ...	...	„ 0 11 3	...	„ 0 0 0	„
September ...	...	„ 0 11 3	...	„ 0 0 0	„
October ...	...	„ 1 0 0	...	„ 2 5 0	„
November ...	...	„ 1 0 0	...	„ 2 7 6	„
December ...	...	„ 0 17 6	...	„ 0 0 0	„
1863.					
January ...	...	„ 0 15 0	...	„ 0 0 0	„
February ...	...	„ 0 5 0	...	„ 2 10 0	„
March ...	...	„ 0 7 6	...	„ 0 0 0	„
April ...	...	„ 0 7 6	...	„ 2 5 0	„
May ...	...	„ 0 7 6	...	„ 0 0 0	„
June ...	...	„ 0 7 6	...	„ 2 5 0	„
July ...	...	„ 0 7 6	...	„ 1 15 0	„
August ...	...	„ 0 2 6	...	„ 1 15 0	„
September ...	...	„ 0 2 6	...	„ 1 10 0	„
October ...	...	„ 0 3 0	...	„ 1 10 0	„
November ...	...	„ 0 10 0	...	„ 0 0 0	„
December ...	...	„ 0 10 0	...	„ 2 0 0	„

These are extreme valuations, as the Bank accommodated, to enable the purchasers to transact.

Letter from MR. MOIR, Acting Manager of the Oriental Bank, to MAJOR GENERAL O'BRIEN, Governor of Ceylon,—dated Colombo, 7th June 1864.

No.10. I find among other papers, which Mr. Duff's sudden departure prevented him from attending to, your note, enclosing copy of a letter to you from Sir Charles Trevelyan, asking for information on the subject of the monetary arrangements in this Colony, under which the English and Australian sovereign circulate here as twenty shillings.

The question now at issue in India is the introduction of the sovereign as ten rupees here; that process was greatly facilitated by an old proclamation of the Ceylon Government, issued many years ago, by which the Indian rupee was declared equivalent, in all money transactions, to two shillings of English currency, both being made legal tenders in the Colony.

In point of fact, the value of the two coins is by no means identical; the Indian rupee containing 180 grains of silver, while the English florin has only $174\frac{6}{11}$ (the shillings $87\frac{3}{11}$) grains.

No practical inconvenience, however, appears to have attended the operation of this proclamation, and English and Indian coins have since circulated side by side in Ceylon, with little or no apparent preference for the one over the other.

The assimilation of the two coinages having thus become almost complete, the subsequent adoption of the English (and Colonial) sovereign into legalised circulation here became, in time, almost a necessary consequence.

A double standard of currency (gold and silver) is thus in use in this Colony, neither being subsidiary to the other, inasmuch as the amount of silver which may be tendered in payment of a debt is not limited, (as in England,) and, notwithstanding the objections which have been urged against this system in theory, I believe that no practical inconvenience has been found to result from it. On the contrary, Ceylon owes to its double standard its comparative immunity from the severe monetary crisis through which India has recently passed.

I may add that sovereigns generally (though not always) command a small premium here.

R. T. PENNEFATHER,

Auditor General.

Resolution by the Government of India, Financial Department,—No. 1325, dated Simla, 12th July 1864.

Read the following papers on the subject of a gold currency for India:—

Letter from the Secretary to the Bengal Chamber of Commerce of 19th February 1864, forwarding copy of a Resolution passed at a General Meeting of the Chamber on the 17th idem.

Reply to ditto, No. 1124 of 29th idem, stating that the subject above referred to was under consideration.

Memorial from the Bombay Association of the 19th idem.

Reply to ditto, No. 1123 of 29th idem.

Letter from the Government of Bombay, No. 252 of 7th March 1864, forwarding a Memorial, together with copies of the Minutes recorded by the Members of that Government, on the above subject.

Reply to ditto, No. 1516 of 18th idem.

Memorial from the Madras Chamber of Commerce of the 30th of April 1864.

Reply to ditto, No. 474 of the 28th of May 1864.

Letters from the Government of Bombay, Nos. 288, 308, and 520 of 16th and 19th March and 11th May 1864 respectively.

Read also a Minute by the Hon'ble Sir C. E. Trevelyan, K. C. B., dated 30th June 1864, proposing to introduce a gold currency into India by declaring sovereigns and half-sovereigns, according to the British and Australian standard, to be a legal tender in India at the rate of one sovereign for ten rupees, and recommending a modification of Act XIX of 1861, whereby Currency Notes would be exchangeable for coin only, instead of for coin and bullion, as permitted by Section 9 of that Act.

RESOLUTION.—The Governor General in Council directs that Sir C. Trevelyan's Minute be published for general information in a *Gazette of India, Extraordinary*, to be issued at Calcutta, with an intimation that a despatch will be addressed to the Right Hon'ble the Secretary of State for India in support of the recommendations contained therein; and that, in the event of his approval, it is proposed to give legislative effect to those recommendations.

By order, *

E. H. LUSHINGTON,

Secy. to the Govt. of India, Finl. Dept.

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 89, dated Simla, the 14th July 1864.

According to the intention already expressed by us, we have the honor to address you on the subject of a gold currency for India.

2. The accompanying Minute by Sir Charles Trevelyan and its appendices contain, we believe, a full exposition of the question.

3. We concur in the two main proposals contained in that Minute, viz., that sovereigns and half-sovereigns, according to the British and Australian standard, coined at any properly authorised Royal Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at the rate of one sovereign for ten rupees, and that the Government Currency Notes should be exchangeable either for rupees or for sovereigns at the rate of one sovereign for ten rupees, but that they should not be exchangeable for bullion.

4. We are also of opinion that, in order to mitigate the evils to be expected from a recurrence of the late commercial crisis, it is necessary that there should be no delay in the adoption of these measures.

5. If, therefore, they have your approbation, we propose to give immediate legislative effect to them.

6. In the event of your approving of the adoption of the sovereign and half-sovereign as legal tender in India, we request that you will, without waiting for indents from this country, cause to be sent to the Mints of Calcutta, Madras, and Bombay, such matrices and dies, and drawing, adjusting or other machinery as may be necessary to secure the coining of sovereigns and half-sovereigns in exact conformity with the coinage of the London and Sydney Mints, except that there should be a minute Mint Mark (say C. M. and B., for the respective Mints of Calcutta, Madras, and Bombay) distinguishable only by practised persons with the help of a magnifying glass.

From H. E. JACOBS, Esq., Officiating Under-Secretary to the Government of Bombay, Financial Department, to E. H. LUSHINGTON, Esq., Secretary to the Government of India, Financial Department,—(No. 855, dated Bombay Castle, the 28th August 1864).

I am directed by the Honorable the Governor in Council to transmit

No. 29. Forwarding copy of a Minute by His Excellency the Commander-in-Chief on Sir Charles Trevelyan's proposal to declare Sovereigns and Half-Sovereigns, according to the British and Australian standard, legal tender in India at the rate of one Sovereign for ten Rupees (with its enclosures).

to you, for the purpose

of being laid

before the Govern-

ment of India, the

accompanying copy

of a letter addressed to Her Majesty's Principal Secretary of State for India, under date the 23rd instant.

Despatch from the Government of Bombay, to the Secretary of State for India,—(No. 29, dated Bombay Castle, the 23rd August 1864).

IN continuation of our Despatches as per margin, we have the honor

to forward herewith copy of a Minute by

No. 7, dated 12th March 1864, and No. 9, dated 28th March 1864.

His Excellency Lieutenant-General Sir W. R.

Mansfield, K. C. B., on the proposal of Sir

Charles Trevelyan to declare sovereigns and half-sovereigns, according to the British and Australian standard, legal tender in India at the rate of one sovereign for ten (10) Rupees.

2. We beg, at the same time, to transmit herewith a copy of a Return furnished to us by our Mint Master of the average price of English sovereigns, &c., in Bombay since 1830.

Remarks by His Excellency Lieutenant-General Sir WILLIAM MANSFIELD, K.C.B., on Sir CHARLES TREVELYAN's proposal to value the Sovereign at ten Rupees in the Indian Currency.— Vide Resolution of Government of India, dated July 12th, 1864.

I AM under great obligation to Sir Charles Trevelyan for the very kind manner in which he has been pleased to allude to my Currency Minute dated 8th March 1864.

2. It is a matter of no ordinary satisfaction that my argument and theoretical conclusions should have been able to arrest his attention.

3. This being so, it is with unfeigned regret that I am obliged to say that I am not convinced by Sir Charles Trevelyan's reasoning, of the soundness of the measure by which he proposes to commence the conversion of the silver currency of India to a golden one.

4. The measure to which I allude is the legalizing of the value of the sovereign in ten Rupees for tender of payment, while the sovereign is really worth more than that sum.

5. The question of respective values of gold and silver in India, as determined by experience during the last few years of expansion of trade and increase of gold production, has the most important practical bearing. On the successful appreciation of it may be said to depend the ultimate success of the great reform, the entertainment of which has been sanctioned by the Right Honorable the Secretary of State for India, and by the Viceroy and Governor General in Council.

6. I have ventured to remark once before at some length on the details of this matter,* and it is satisfactory to observe that the calculations and statements of value thus offered at Bombay, receive support from those independently

* Vide Chapter XI. and Appendices of Minute of March.

† Vide Appendix No. 9 to Sir Charles Trevelyan's Minute.

prepared at Calcutta.†

7. Thus the Honorable Mr. Claud Brown shows by a calculation of averages, that the sovereign has in Calcutta of late years maintained about the same value as it has in Bombay, the cost of the sovereign being now, as he states, with regard to the gold it contains, worth Rupees 10-2-11, and with the additional one per cent. for seignorage Rupees 10-4-6; consequently, Mr. Brown observes that, under the arrangement proposed by Sir Charles Trevelyan, sovereigns would be readily and rapidly received into circulation; but the first and most essential condition

is that some one must provide the sovereigns, and that his difficulty is that he does not think it can be done at the price.

8. It may here be said that in the price of gold, as shewn by the sovereign, it is well to banish from our minds the distinction between Australian and British Sovereigns, except such very trifling difference of value as is, I believe, supposed to exist between the two coins.

9. The price of gold in India, where the metal is viewed as a commodity of import, is, of course, regulated by the price it bears in the country where it is most cheaply produced, to which must be added all other charges.

10. The freight and loss by interest being less on gold imported direct from Australia than if the same gold had made the circuit of the world, it follows that gold imported by way of Europe must accommodate itself to the superior cheapness of Australian gold; in other words, that the price of the latter in India rules the price of all other gold from wheresoever it may come.

11. This is actually seen to be the case when sovereigns, whether British or Australian, are considered as a matter of commerce. The exceptional taking up of the former for the use of travellers on their road to England, has no practical effect as regards the real price of gold. On the sailing of a steamer, English bank notes are sought and paid for exceptionally on account of such personal convenience.

12. The price of the sovereign in India, as an article of commerce, having thus depended on the marketable value of gold; it has been seen in the two great marts of Calcutta and Bombay that that price has on an average of years been slightly more than Rupees 10-4-0, although the sovereigns are treated in their character of gold without respect to Mint or seignorage charge.

13. Consequently Sir Charles Trevelyan's price to which he desires to give a legal sanction for tender of payment is, at the least, six pence less than this average value of the sovereign, or about $2\frac{1}{4}$ per cent., as hitherto maintained.

14. The question therefore arises, to put Mr. Claud Brown's doubt in another form, who is to bear the loss of the $2\frac{1}{4}$ per cent.?

15. It will be understood that if the Mint can find the gold, the people will be only too happy to exchange their rupees at a rate which

will give them six pence or four annas on the changing of every packet of ten Rupees. But is the Government prepared to lose the six pence, or in other words the $2\frac{1}{2}$ per cent.?

16. Surely we cannot expect, except in the case of extraordinary dearth of silver, that the people will pay in gold when to do so causes them a loss of $2\frac{1}{2}$ per cent. on their transactions. On the contrary, they will continue to pay in silver so long as gold remains at a premium in the market, as compared with the rate fixed for the optional legal tender.

17. Gold would then be issued at that low rate only at Government Treasuries, and the Government, receiving silver in payment of revenue, would then be the sole loser. Government would therefore be driven to make all its payments in silver, to prefer silver as the means of redeeming the currency notes, and therefore to defeat the measures it is now bent on introducing.

18. Another question also surges up. It may be asked why is $2\frac{1}{2}$ per cent. to be added to the value of the national debt, as a condition of the conversion of the silver currency?

19. Yet if it be in the power of the Government of India to redeem part of the capital of the debt, and to discharge the interest of it in gold, according to the price sought to be legalized, and if it do so, it is clear all such payments would involve a *pro tanto* addition to the debt, as shewn by the artificial depreciation of the gold coins. For it is admitted by Sir Charles Trevelyan that, under any circumstances, his gold will be offered in currency at a less price than it habitually fetches in the market.

20. But it may be further doubted whether the Mints would, on the terms of Sir Charles Trevelyan's Minute, obtain any gold with which to carry out the conversion of the currency, except in the remittances of gold made on account of Government. In consequence of their being worth more than the rate fixed for the optional tender by law, sovereigns imported on private account would be sold at the premium they might be able to command in the market. Bar gold being sent to the Mints for coinage would be recovered by the owners in the form of sovereigns, to be sold in like manner at a premium. Sovereigns would not be exchanged for currency notes in the Issue Department.

21. The further consequence would be then, that the currency would become complicated instead of being relieved, as we wish it to be.

Although dignified as currency legal tender, if anybody chose to tender them at a loss to himself, sovereigns would practically remain an article of trade, while Government, whenever it paid gold as part of the normal currency, would be the sole loser.

22. The result, therefore, would be that silver would remain as it now is, and importation of it for purposes of currency would be continued, one of the things we desire to prevent, while gold, in effect, would not be promoted to perform currency functions as we desire.

23. It is stated that the Australian sovereign can be laid down at Calcutta for Rupees 10-2-9. The data on which this assertion is based are not, I believe, furnished. It is not shown whether the profits of the importer are included in the figure, or if the mere cost of the gold in Australia, freight and other charges are comprehended only.

24. Unless the latter is the case, it is difficult to understand how the price of gold remains on an average at a higher rate than that at which it can be profitably imported. In short we must take the value of gold at what it is shown to be by the average prices of a term of years, and not from an arbitrary assertion made at a particular juncture.

25. I annex a valuable Return of the price of sovereigns, British and Australian, during the last five years. This average price is shown to be about Rupees 10-4-0, or considerably in excess of that for which it is alleged Australian sovereigns may be laid down at present.

26. Sir Charles Trevelyan, however, taking the smaller figure, *viz.*, 10-2-9, as his basis, trusts that the Colonial Legislature of Australia may be induced to reduce the price of gold exported from Australia to India by abolishing the export duties.

27. It may be asked if it is not too sanguine to expect such accommodation from popular and distant Governments over which we have no control? Should we ourselves be justified in legislating with a view to a contingency which must in any case be remote, and which many politicians who consider how colonial revenues are raised with regard to colonial impatience of taxation, will declare to be so unlikely as to be almost impossible?

28. But it is to be remarked, that the new and great demand for gold caused by the organization of an effective gold currency in India, will not improbably raise the price of gold throughout all the markets of the world, of course including Australia. On the other hand, we must

not forget that the yield of gold in the latter country is largely diminishing, as noted by Sir Charles Trevelyan. It is not impossible that the two things taken together might neutralize the effect of abolishing the Australian export duty, if such a measure were ever to take place.

29. Sir Charles Trevelyan is apparently of opinion that, eventually, the price of gold in India would be somewhat diminished by the regularity of trade consequent on the introduction of a gold currency.

30. But is this likely? Has he not overlooked the effect of the new demand on the regions of supply, when gold shall be substituted in the imports to India, in the place of the many millions of silver now annually brought to her shores from all parts of the world?

31. We have already seen in India how the superior convenience of gold as a vehicle of reserve value has kept up its price in India as reckoned in silver, notwithstanding that it was shut out of the currency. May we not expect a still greater result in the same direction when it is admitted?

32. I am evidently not singular in such views. Thus Mr. Claud Brown, while he does not guarantee that gold may not ultimately be reduced in value so as to enable the sovereign to be supplied at Rupees 10, "sees no valid ground for expecting such a change, especially "when due allowance is made for the effect which the adoption of gold as "a circulating medium in India must have in checking any tendency that "might otherwise have existed to a decline in the value of the metal."

33. Let us now consider the subject in another manner. Sir Charles Trevelyan, when advocating the introduction of the sovereign as an uniform standard of exchange, says that it would come into more extensive use than the Spanish dollar ever did if fair play were given it. Yet he shows that he has misgivings that his proposed measure will retard the conversion of the silver medium to a golden one, the real and immediate object of the proposed reform of the Indian currency.

34. Can it be said that fair play is given to the sovereign as a current coin, when making a law that gold and silver shall be optional legal tenders we declare that the former shall be issued in a coin, the sovereign, charged at a rate which depreciates its value?

35. The object of the change which is now proposed is the eventual conversion without shock or expense of the silver currency to a golden one.

36. It is difficult to understand why, bearing this object in view, we should commence with a measure which, as Sir Charles Trevelyan admits, may retard its attainment. Should we not rather recognize the fact of equality of intrinsic value between the respective coins of the two metals, as the only basis of theory and practice in our progress towards the eventual position of a gold currency and a gold standard, that progress being determined only by the other fact of superior convenience of a golden medium over a silver one?

37. In this case we shall have simplicity, an intelligible principle, and, it may be said, finality; whereas, in the other, we shall commence with a measure open to the charge of retarding the reform we propose, which by some critics will be held to be synonymous with inoperativeness, in other words, failure.

38. By taking the basis of equality as now shown by the averages, we stop speculation with regard to artificial and local differences of value as much as we can. The relative values, having been so determined by experience till the present date, will become fixed henceforth in currency at present rates. We have seen examples of a like result in the instances of France and America. As in those countries, the moment will in such case at length arrive for stereotyping the rate by means of the token coinage.

39. If, on the other hand, when we inaugurate our reform, we depart from the basis of equality in favor of silver; we, in fact, delay not only the conversion of the currency as shown above, but we do something more. We forego the advantage of determining the value of gold in currency by the current silver coin, for the future as well as the present.*

40. Without such determination of the value of gold in silver, according to reason as well as an arbitrary regulation, which will be set aside by the premia of the markets, the currency reform cannot become substantive, and we shall land ourselves amidst the uncertainties of the double standard.

41. For, in such case, the attempt will be really made to have two measures of value in different metals, whereas we know that trade and exchange will only admit of one measure. By insisting on the nicest equalization of value between silver and gold in the issue of coins under a

* *Vide* Chapter 3 of Minute of March, more particularly the closing pages of that Chapter.

joint or optional legal tender, we still adhere to the old rupee measure or silver standard, but we offer the golden equivalent in its place. If we wittingly afford more of gold than is equal to the silver, we do the reverse, and we compel the community in every transaction, public or private, to consider whether it is to be performed in silver or in gold.

42. It may be further observed that, by means of the nice equalization of the legal tenders in point of value, we are perfectly just to the present holders of silver and the holders of securities, whether on public or private contracts. For they will be allowed at their own convenience to pay in silver or gold. This fact would prevent the depreciation of silver from its present value with regard to gold. For if it were to fall, as suggested by Sir Charles Trevelyan, below the par of present value, which, on a real present equalization, would be fixed in currency, it would be quickly bought up for the discharge of debts according to the option afforded by law. Its currency value, and therefore its price in the country, would be as rapidly restored.

43. It would appear after considering all the features of the matter presented to us, that we are encumbering what would be otherwise simple by the attempt to graft on it something else. Thus we desire to have a gold currency for India. The measures to effect such a change are direct and simple. But this is no longer the case, if we take the opportunity to provide what is called an imperial standard of exchange for the dependencies of Great Britain, and then to fix in India a gold coin at an artificial price, that coin having been struck for a system of coinage unknown to India and her coined values.

44. It seems strange to try to force down a strange coin at a price which is not its true equivalent; in short, to bend certain physical facts of value in favor of a notion of decimal convenience and of relation to other portions of the British Empire.

45. The equitable proceeding would appear to be on the contrary, if we choose to impose on India a gold coin which is foreign to her system, that, rather than commit ourselves to an arbitrary measure, we should give the strange coin for its exact value, just as in exchanging gold for silver we should take care, as far as lies in our power, that in general the equivalent of the former is accurately afforded in substitution of the latter; in other words, that our currency transactions should exactly follow the law of barter, until the absorption or disappearance of the silver may

enable us to revert to a single legal tender for large sums by the introduction of the token coinage?

46. With regard to all existing debts and contracts, we are unable to part with the existing silver rupee. It is to us what the franc is to the French, what the dollar is to the American.

47. We should only think of rendering that silver rupee in its golden representative, and we should not for the present trouble ourselves with more. According to the proposal which has received the sanction of the Government of India, we do not confine ourselves to this, but, for *ex parte* considerations, we make the effort to confer a greater value on the rupee than it physically possesses.

48. I cannot help thinking that a confusion has arisen, and that the advantage of clinging to the sovereign for India has been overrated, while the difference between its value and that of ten Rupees has been underrated.

49. Had a sovereign been worth twelve Rupees, there would have been no thought of legalizing it in a value of ten Rupees. But in truth when the large operations of trade are involved, it makes but little difference, so far as the object we are considering is concerned, whether the difference be two Rupees or two Annas. In either case the difference is sufficient to ensure an immense profit or loss to a merchant who operates with millions. This being so, the market premia, owing to want of original Mint equalization of value, entailing the official depreciation of gold, would, I believe, infallibly drive gold out of the currency. I think, therefore, that if we would succeed in fairly resolving the problem we have before us, we must have a gold coinage for India herself, and let sovereigns run according to their value, which may be determined by law with regard to the regular Indian gold coin.

50. In short, the sovereign should be the ally to assist India in participating in the convenience of the imperial standard. But it will not be permitted to usurp the rule in the realm hitherto occupied by the rupee, and to change the value of the latter.

51. We can then hardly resist the conclusion that the golden multiple of the rupee should be calculated and minted with regard to the value of the rupee only, and apart from all other considerations, sovereigns being allowed to run for their relative value.

W. R. MANSFIELD.

4th August 1861.

Average Quotations for each year in Bombay of English and Australian Sovereigns and English and Australian Bar Gold.

YEAR.	English Sovereigns.	Australian Sovereigns.	English Bar Gold, 98 Touch.	Australian Bars.	REMARKS.
1857	Rs. 10 2 7 each.	No Quotation.	No Quotation.	No Quotation.	
1858	" 10 2 2	.....	Rs. 15 14 4 per tola.		
1859	" 10 5 9	.....	" 16 6 5		
1860	" 10 5 4	Rs. 10 7 2 each.	" 16 4 2	Rs. 15 12 0 per tola (23 carats)	Australian Sovereigns and Bars from July.
1861	" 10 4 9	" 10 3 8	" 16 1 7	" 15 5 7 (23 ca- rats)	
1862	" 10 5 0	" 10 3 5	" 16 3 1	" 15 14 2 (23½ carats)	
1863	" 10 4 1	" 10 6 9	" 16 3 1	" 16 1 2 (23½ carats)	

PRICE OF ENGLISH SOVEREIGNS, &c.

272K

Average price of English Sovereigns, &c., since 1830.

	English Sovereigns. <i>Per each.</i>	German Crowns. <i>Per 100.</i>	Mexican Dollars. <i>Per 100.</i>	F. Franc Pieces. <i>Per 100.</i>	
1830 .....	.....	213 0 6			
1831 .....	.....	208 3 0			
1832 .....	.....	215 14 8			
1833 .....	.....	211 3 5			
1834 .....	.....	.....	.....	.....	Not reported.
1835	10 14 1				
1836 .....	.....	.....	.....	.....	File lost.
1837 .....	.....	.....	.....	.....	"
1838	10 8 0	215 0 0	221 4 0		
1839	10 3 9	214 10 0	221 8 0		
1840	10 5 6	214 0 0			
1841	10 11 9	214 5 0			
1842	10 15 1	215 0 10			
1843 .....	.....	.....	.....	.....	File lost.
1844	10 4 8	215 8 9	225 12 0		
1845	11 2 0	217 14 0	221 1 7		
1846	11 2 6	231 0 0	221 2 0		
1847	11 1 0	216 1 4			
1848	11 5 3	215 1 2			
1849	11 2 6	212 12 0	220 14 0		
1850	10 4 6	212 4 0			
1851	10 3 10	211 6 6	221 1 4		
1852	10 4 8	211 10 0	222 0 8		
1853	10 2 1	215 7 8			
1854	10 2 8	217 7 4	231 14 0		
1855	10 3 7	212 9 4	222 14 0		
1856	10 1 2	209 2 0	222 0 0		
1857	10 1 1	216 12 8			
1858	10 2 2	213 13 0	222 0 0		
1859	10 6 2	213 15 0	221 12 4	223 1 0	
1860	10 6 0	211 11 4	223 12 0	223 1 4	
1861	10 5 4	212 8 0	225 0 0	221 4 0	
1862	10 4 11	213 9 4	223 2 0	224 3 4	
1863	10 4 4	214 7 0	225 12 8	222 3 4	
1864	10 3 10	213 13 1	227 11 4	215 11 7	
Total ...	283 4 5	6,130 2 11	4,020 10 2	1,329 8 7	
Average	10 7 10	214 5 5	223 5 10	221 9 5	

The Agent, Oriental Bank (who are perhaps the largest importers of bar silver), states that he always sends it to the Mint, and there can be no doubt that the Mint price is the average one, as most of the silver imported is brought to the Mint, which would not be the case if it fetched a higher price elsewhere. The Mint price being fixed, silver is never sold below it, unless at a trifling reduction on account of interest. The Mint price was raised by one per cent. in the year 1833. Australian sovereigns are not quoted. There are quotations for bar gold for about twenty years, but they do not give the touch and are therefore of no value. Rupees 16-8 is the present price for pure gold per tola.

Bombay Mint, July 1864.

J. A. BALLARD, *Lieut.-Col.,*
Mint Master.

From R. SIMSON, Esq., Secy. to the Govt. of the N. W. Provinces, to Secy. to Govt. of India, Finl. Dept.,—No. 854 a, dated 25th August 1864.

I am directed to forward, for the consideration of His Excellency the Viceroy and Governor General in Council, the accompanying copies of a letter No. 534, dated the 4th instant, with its enclosure, from the Officiating Secretary to the Sudder Board of Revenue, on the introduction of a gold currency into this country, together with a Minute recorded by His Honor the Lieutenant Governor on the subject.

Copy, with copy of His Honor's Minute, forwarded to the Secretary to the Sudder Board of Revenue, North-Western Provinces, for the information of the Board.

From W. C. PLOWDEN, Esq., Offg. Secy. to the Sudder Board of Revenue, to Secy. to the Govt. of the N. W. Provinces,—No. 534, dated 4th August 1864.

I am directed by the Sudder Board of Revenue to submit, for the consideration and orders of His Honor the Lieutenant Governor, copy of a Minute recorded by the Senior Member, on the introduction of a gold currency into this country.

2. Mr. Money admits without reserve the theoretical correctness of Mr. Muir's arguments, but is sensible of the difficulties that would attend their practical application.

3. Including the existing permanent settlements, about two-fifths of the revenue of India may be eventually assessed in perpetuity, and if a gold be substituted for a silver standard, and the value of gold fall, the loss on the permanent revenue will be in the exact proportion of the diminished difference between the values of gold and silver.

4. The annual production of silver being about 10 millions, whilst that of gold is about 25 millions, an eventual fall in the value of gold appears to be *primâ facie* inevitable. It is, however, argued from the experience of the last sixteen years that the value of gold will be permanently maintained. It has displaced silver in France, and much may yet

be absorbed in Eastern Europe; but the question of most importance appears to the Junior Member to be, whether there must not be a limit to the power of India to absorb the precious metals.

5. He is of opinion that, however remote the period may be, that limit must be eventually reached. To assume the contrary would, he considers, be nearly tantamount to assuming that the civilization of this country will remain stationary. If the last named position could be safely maintained, it would follow that the absorbing demand for gold would be perpetual; but the advance of civilization must necessarily create an increased demand for foreign products, and the silver currency having been displaced by gold, the demand for gold would decrease very nearly in the ratio of the increase of the imports. Gold would still be hoarded, and an annual supply would continue to be required to supply the place of the amount withdrawn from circulation, and there would be a permanent, though limited, demand for the metal as an article of luxury, but the excessive importation would cease on the establishment of an equality between the imports and exports. A continuous increase of the circulation of paper may moreover be reasonably expected, and the demand for gold will be thereby proportionally diminished.

6. The increase of import customs revenue would probably more than compensate for any loss on the land revenue that might be due to the decreased value of gold; but, assuming the land revenue assessment to have been originally fair, the payers thereof would, in the contemplated event, benefit at the expense of the remainder of the community, who would be required to contribute more than their fair share of the burdens of the State.

7. The enactment of a legal provision for the exclusive protection of the rights of Government in its capacity of creditor would be invidious; but in view of the possible deterioration of the value of gold, it is worthy of consideration whether the establishment of a gold currency might not be accompanied by a provision for the periodical adjustment or declaration of the comparative value of gold with reference to silver. Such periodical adjustment or declaration might be made at intervals of not less than thirty years. The provision might be to the effect that in the discharge of all debts and liabilities whatsoever, and whensoever contracted, the sovereign shall be held to be equivalent to 10 rupees of the present currency up to the 31st December 1894. But in respect of all debts or liabilities contracted in the existing silver currency prior to the 1st January 1895, and which shall not have been discharged prior

to the 1st January 1895, payment thereof shall be claimable in gold at the valuation, with reference to silver, which to that end shall be then declared by an Act of the Legislature. Provision might be made for similar adjustments after subsequently recurring periods of thirty years.

8. Land revenue settlements in perpetuity might be hereafter made with a condition subjecting them to similar recurrent equalization.

Note by W. MUIR, ESQ., Senior Member, Sudder Board of Revenue, N. W. Provinces, on the proposal to make gold a legal tender, as affecting the permanent settlement of the Land Revenue,—dated 23rd July 1864.

The Minute of Sir Charles Trevelyan on the gold question contemplates the present establishment of a double standard as a measure preparatory for the eventual constitution of gold as the sole standard, silver falling into the place of a merely subsidiary or token currency.

2. The proposed measure will affect in an important degree the permanent settlement of the land revenue. So long as the standard of the country was silver, the degree of future probable depreciation of that metal being so limited, it could be overlooked altogether. The chances of future loss from fall in the value of silver were clearly outweighed by the advantages of perpetual fixity in the demand, free from any condition depending on variation of value. For this reason I argued in a former paper against the admission of any such condition.*

* Paras. 14, 37, and 69 of Minute dated 5th December 1861.

3. But the measure of future probable deterioration is vastly greater in respect of gold. The enormous accession to the annual yield must, if continued in any thing like its present proportions, eventually cheapen this metal to a serious extent. Little perceptible influence may yet be traceable to this cause; but the time has been too short, and a large quantity has been absorbed in France in the process by which of late years gold has there been displacing silver. The corresponding process, whenever it may take place in India, will in like manner absorb a great amount of gold. The same thing may likewise take place in other countries. Further, the expanding commerce of the world may require an increasing quantity of gold, and thus counteract to some extent the depreciating influence of the larger annual supply. But the time will come

when this annual supply, if maintained in any thing like its present magnitude, will have filled up all these voids and deficiencies; and then, so far as human foresight can anticipate, a rapid fall must ensue in the value of gold.

4. The fall, whenever it does commence, will, of course, affect all perpetual engagements expressed in gold currency. Even with a double standard of silver and gold the effect would be the same, as debtors would of course make their payments in the cheaper of the two currencies.

5. The result would be a corresponding virtual diminution in the land revenue. For example, the estimated share of a proprietor in the shape of rent is 1,000 maunds of corn, equal to say Rs. 1,000. The settlement is accordingly made at a half of that, or 500 rupees, equal to 500 maunds. By the introduction of gold, the proprietor pays instead £50 in sovereigns. But in the lapse of time if gold falls to say 80 per cent. of its present value as regards corn, silver, and all other things, then, in order to secure the value of the original assessment at 500 maunds or Rs. 500, the payment in gold would require to be increased to £62-10-0. And the perpetuation of the demand in gold at the sum of £50 would have just the same effect as if the assessment had been reduced to 400 maunds in kind, or to Rs. 400 in silver, i. e., it would involve a deficit of 20 per cent. in the public revenues.

6. Now, therefore, while we are entering into engagements with the proprietors of land, and have the full right to annex any reasonable conditions to our contract, it appears to me that we are bound to keep in view the interests of coming generations, and to consider whether it would not be just and equitable to leave the rulers of a future day the liberty, in the event of the contingency supposed, to readjust the demands of the State in accordance with the original value of the assessment; in other words, to revert to the original standard of 500 maunds, or of Rs. 500 in silver.

7. It has been proposed to do this by allowing a modification of the demand according to the altered standard of agricultural prices. In the supposed case, it is assumed that the price of agricultural produce measured in gold would have risen 20 per cent, that is, for the amount of corn which at the settlement cost £50, the market price has now risen to £60. Consequently the assessment should be raised from £50 to £62-10-0. But prices are liable to increase from other causes than the depreciation of the currency, and moreover they fluctuate so as to render any test of this nature somewhat vague and uncertain.

8. The same object would be gained by measuring the fall in gold, by the relative value of gold to silver, and enhancing the demand in the same proportion. This would be a definite, tangible, and accurate test: and on the reasonable assumption that silver will not be subject to any great depreciation, it would seem to afford a practical and sufficient security for the public interests.

9. It has also this advantage, that it could to my apprehension be applied with perfect equity and justice to the permanently settled revenue of Bengal and of the Benares Division, the latter amounting to nearly half a million sterling. It seems to me an object of importance that the terms of the permanent settlement should be uniform all over the empire; and I should be unwilling to see the settlement, e. g., in the North-West, clogged with considerations less favorable than those in Bengal.

10. The obligations of the landed community in the provinces already permanently assessed are expressed in silver. The settlement was made in silver as representing the value of a corresponding share of the produce. Now, suppose we take the case of a private contract on a similar basis. A landed proprietor, for example, alienates his estate on condition that he shall receive a perpetual annuity of Rs. 500. He does so in the knowledge that silver, the standard of the Indian Empire, is a currency not likely to be depreciated, and on the presumption that it will not be departed from. Had gold been the standard, possibly he would never have entered into the engagement, seeing that the enormous increase in its annual production is likely to diminish the value of the annuity to his children, if not to himself.

11. And hence it appears to me that a distinction may fairly be drawn in this respect between ordinary transactions and those, whether public or private, which are of perpetual obligation, or in which the term is absolutely indefinite, so far as the power of the receiver of the annuity is concerned. All ordinary transactions are of a temporary character. They are ordinarily fulfilled and completed within the term of a generation. An estate is mortgaged for a certain sum expressed in silver. By the time the mortgage is redeemed by the re-payment of the same sum expressed in gold, it is not probable that any material variation will have occurred between the values of the two metals, and it is reasonable, in consideration of the benefits and convenience to the public in having

all ordinary transactions expressed in a common standard, to require that the parties should treat such a mortgage, as if it had been concluded originally in the corresponding terms of gold.

12. But the case would be entirely different with perpetual annuities, or annuities (as interest of the public debt,) not terminable by re-payment of the capital sum at the will of the recipients. The classes of cases of this nature are comparatively few in number, and they could be treated exceptionally without in any way disturbing or confusing the general course of social or national business.

13. It may be objected that no special condition of the nature contemplated has been found necessary in countries where a change in the standard has been made. But I submit that when such change was carried out elsewhere, the probability of a great and rapid depreciation of gold could not have been so clearly and strongly foreseen as it now is. And therefore we are warranted, and indeed bound, to give the subject a degree of consideration which it may not hitherto have received elsewhere.

14. It appears then to me that it would be nothing more than equitable to treat all perpetual engagements and obligations (as above explained) for an indefinite period, as if they had been entered into with the express condition that they were to be for ever discharged in silver, or rather in the equivalent value of the standard currency of the day.

15. If this be fair and equitable in the case of private engagements, I can see no reason why it should be otherwise in the case of permanent settlement already made and expressed in silver. It cannot be in any measure unfair or inequitable; for there is no incumbency, no necessity in the nature of things, for a change in the standard. It is simply introduced for the public convenience and benefit, and there seems no reason why one class of the people should specially benefit by the change to the detriment of the great body of the nation, as they would do by contributing a smaller proportion than they had engaged towards the public expenditure; or that any class of annuitants should suffer, if, without injustice or confusion and derangement in the conduct of mercantile and public business, it can be avoided. By the proposed adjustment, there could be no breach of faith as regards the permanent settlement; for under no circumstances would the zemindar be required to pay one rupee, or one anna more than he now does. And as the tendency of silver itself is to become cheaper, and it is not

conceivable that by any contingency it could (as measured by agricultural produce) become dearer, the proprietors would not be taxed with the value of an additional maund or an additional seer of produce. On the contrary, by the inevitable rise in prices even as measured by silver, the amount of produce represented by the tax would become less and less.

16. It might be arranged that it should be in the power of Government, after a certain term of years, to effect the proposed readjustment by a Legislative enactment whenever the value of gold, taking the average of 10 preceding years, should be found, as measured by silver, to have fallen more than 10 per cent. below what it was when gold was first made a legal tender.

17. It may be objected that the fall in the value of gold being so slow and imperceptible a process, the increase of profits to the proprietor arising from the diminished value of his payments in gold would also take place slowly and imperceptibly; and that a gradual enhancement of income of this nature would come so naturally to be viewed as property, that it would be a hardship after the lapse of years to resume it for Government. But the condition is so simple and clear, and the measure of depreciation and of readjustment so easily ascertainable, that it would be notorious, and if not always borne in mind, it would be the proprietor's own fault. It would be an incident of the property that could not in the least degree detract from its value. The permanent limitation of the land tax would be as fixed and certain as ever.

18. It is also objected that in the long interval which must elapse before any material fall shall occur in the value of gold, other sources of taxation will present themselves, arising from the progress of the country in riches and civilization. Even so, this does not seem a sufficient reason for surrendering a valuable income, and gratuitously adding it to the gains of a single class of the people.

19. If it be objected that the basis of these suggestions, the probable fall of gold, is itself uncertain, it may be replied that it is at least probable; and that should it really not occur, no harm can be done by the proposed condition, which would simply not come into operation; while the proposed arrangement based upon its possibility cannot, as above shown, in the least degree affect the value of property.

20. I think for these reasons that the propriety of establishing some such condition as that proposed should be submitted to the Government in connection with the projected establishment of gold as a legal tender.

Minute by the Hon'ble the Lieutenant Governor of the North-Western Provinces,—dated 20th April 1864.

The demand for a gold currency in India, as remarked by Sir C. Trevelyan, rests upon mercantile rather than upon monetary considerations.

Viewed as a currency question, the provision of a recognized gold coin of fixed value will no doubt be convenient, but it is not absolutely necessary, and the introduction of a paper currency has diminished the need for it even as a matter of convenience.

The difficulties attending a double standard are evaded by Sir C. Trevelyan's proposition not by depreciating the gold coin, but by undervaluing it relatively to silver, or in other words forestalling a depreciation in the value of gold itself.

How far this measure will succeed in creating a market for Australian gold must be decided by experience, but its effect upon the currency will be very slight, for gold coin of the value of ten rupees will generally be employed only for hoarding or for conversion into ornaments.

It may indeed and probably will come to be used to a certain extent by travellers, and will in this be aided by the breaking up of the note currency into circles, but this will not affect the general circulation which for a long period to come must necessarily consist of rupees.

It might perhaps be determined to coin gold rupees, and it is in this form only that gold could be brought into general circulation, but the only probable ground for such a measure is an insufficient supply of silver for the requirements of circulation, and of this there seems to me to be no real cause for apprehension; for, notwithstanding the enormous demand of late years, prices have shown but an inconsiderable variation, and the latest information gives reason to anticipate a large increase rather than a falling off in the supply.

It is by no means impossible, therefore, that the value of silver may fall quite as much as that of gold, and the only true remedy, so far as the permanent settlement of the land revenue is concerned, is the adoption of a grain standard instead of that of either of the precious metals.

For the regulation of rents, as between landlord and tenant, I regard such an arrangement as highly desirable, for although it may be true that rents are affected by other causes than the price of agricultural produce, it cannot be denied that a permanent rise in the market price

of grain ordinarily used as food is a very clear indication of a fall in the relative value of money, and therefore a legitimate ground for a rise in rents.

But a provision of this kind, however theoretically correct and justifiable, would, if applied to the permanent settlement, be productive of so many doubts and fears among the natives as to forbid all idea of its introduction.

It will be seen from the above that I do not share in Mr. Muir's apprehensions either as regards the introduction of a gold currency, or as to the probable greater depreciation of gold than silver.

The Government of India have proposed a safe step in the admission of gold at a value fixed by themselves, which removes all fear of its competing with silver, and which it can at all times change, and practically I believe there is little reason to expect the substitution of gold for the present Silver Currency of India for many a long year to come.

The discussion of the subject therefore in relation to the permanent settlement seems premature—that settlement will here as elsewhere be expressed in rupees, and it may be safely left to the wisdom of the Legislature, whenever the question of introducing a gold currency comes seriously to be entertained, to provide a sufficient remedy for any loss that it will entail upon the revenue, by means which will apply uniformly to Settlements in all parts of the country.

From E. H. LUSHINGTON, Esq., Secy. to Govt. of India, Finl. Dept., to Secy. to the Govt. of the N. W. Provinces,—No. 2397, dated Simla, 12th September 1864.

In reply to your letter No. 854, dated 25th August 1864, I am directed to observe that the Hon'ble the Lieutenant Governor has, in the opinion of the Governor General in Council, taken a sound general view of the question raised in Mr. Muir's Minute.

2. The objections to a periodical readjustment of the legal value of gold and silver coins would be extremely serious; but it is not necessary to enter upon them, for it seems probable, from the experience of late years, that as gold and silver both enter into the composition of the circulating medium of the world, and both used as articles of luxury, if gold should be lowered in value by a considerable increase in its quantity, silver would, in the absence of new fields of consumption, also sustain a fall.

3. Looking, however, to the decrease in the production of gold in Australia, owing to the exhaustion of the alluvial deposits, and to the rapid increase in the demand for the precious metals in India and other parts of the world for currency, plate, ornaments, and hoarding, it is probable that their depreciation has reached its limit.

Forwarded to the Right Hon'ble the Secretary of State for India, in Financial Letter No. 126 of 1864, dated the 13th September.

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 126, dated Simla, 13th September 1864.

We have the honor to forward for your information copy of a correspondence with the Government of the North-Western Provinces, on the bearing of the introduction of a gold currency upon the permanent settlement of the Land Revenue.

NOTES BY MR. G. ARBUTHNOT,

On SIR CHARLES TREVELYAN'S *Minute on a Gold Currency for India.*

Treasury, Whitehall, 16th September 1864.

The question of the adoption of what is usually termed a double standard, but which would be more appropriately designated an alternative measure of value in the currency of a country, is always a difficult one, but the proposition submitted with respect to the currency of India is further complicated by its novelty, both in respect to the object to be attained, and the mode by which it is hoped to accomplish it.

2. In other countries, with the exception of the British Colonies, the measure sought to be attained has been to allot such a proportion of gold and silver to the current national coins, consisting, respectively, of those metals, as would give an equal relative value to each in a common denomination of account. In India it is proposed to legalize the currency of the existing coins of two different countries, whose money of account has nothing in common. In other countries, including the British Colonies, the principle aimed at has been to give a nominal concurrent value to coins of the two metals, according to the average value which gold and silver bear to each other in the general market of the world. In India it is proposed to follow a course founded solely on local considerations, uncertain in their effect, and possibly of an evanescent character.

3. Before discussing the particular measure proposed by Sir Charles Trevelyan, it may be desirable to clear the way by disposing of some of the preliminary arguments introduced in his *Minute* on points of general application.

4. It may at once be conceded that the substitution of a gold for a silver standard, if it could be effected without derangement of current business, and without evident depreciation of the measure of value, would be unobjectionable on principle in regard to its effect on existing contracts. Though the precious metals have greater fixity of value than other products, and are on that account adopted as the best regulators

of prices, they are liable to fluctuation in respect to the proportion which they bear to each other, and to commodities generally; and it would be a pedantic subserviency to Regulation to maintain that a debt contracted for a payment in silver should never be discharged by its equivalent, at any given period, in gold. On the same consideration an alternative measure of value, if nicely adjusted, may be regarded as unobjectionable in principle.

5. We may dismiss, in reference to this part of the question, all conjectures regarding the future supply of one or other of the precious metals. Sir Charles Trevelyan apprehends difficulties from a diminution of the supply of silver; but the history of the world has not hitherto afforded any alarming indications of a great alteration in the relative production of gold and silver. It is said by well-informed persons that the supply of silver is on the increase, arising partly from the discovery of new mines of that metal in California, and partly from the increased facility of extracting silver from the ore, in consequence of the opening of new mines of quicksilver. On the other hand, though new gold fields have been discovered, the yield from those of Australia has decreased, and this fact would seem to confirm the experience of former days, that gold lies nearer to the surface of the earth, and is therefore sooner exhausted than veins of silver. The relative value of these metals will be governed ultimately by the amount and quality of the labor employed in their production. In the mean time, their relative prices in the market afford the only safe guide, and these do not confirm the opinion entertained by Sir Charles Trevelyan on the subject.

6. We may in like manner dismiss speculations on the supposed fitness of different forms of currency as applicable to different stages in the growth of a nation. Sir Charles Trevelyan considers that a natural law exists by which the currency should pass from rude materials, first to silver, then to gold, and ultimately to paper as the representative of gold. But there is no example of this order of sequence in the commercial history of the world. In Great Britain, in France, and in the United States, the use of a paper circulation existed (sometimes to excess) long before the adoption of a gold standard, and a sound paper currency may be founded on the basis of either metal indifferently.

7. The subject matter for consideration is eminently a practical one, though it is unusually entangled by a variety of uncertain elements, which suggest motives for caution rather than confident speculation.

The movement of the precious metals since the discovery of new gold mines has been governed by many contingencies, not immediately referable to the increased supply of that metal, nor even to the vast development of the commerce of the world arising from the establishment of free trade in Great Britain.

8. If other things had remained the same, the natural effect of the gold discoveries would have been a re-distribution of the precious metals throughout the currencies of the world. After providing for a circulating medium among the new industrial communities attracted to the gold fields, the surplus metal would find its way into currencies of countries which are based on a gold standard. It would displace silver in countries having a mixed circulation; and the latter metal would flow to places in which it constitutes the standard of value. By such means currencies consisting of silver would be increased correlatively with those of gold, and nominal prices would be generally raised throughout the world. During the progress of the change the value of the precious metals in relation to each other would be liable to considerable fluctuation.

9. These effects in part followed the first discoveries of gold in California and Australia. They were arrested or modified by the vast development of trade, the increased well-being of the masses of the population, and with it the opportunity and habit of Railway travelling, all which led to the requirement, certainly in England, and probably in other parts of the world, of a great addition to the circulating medium for the purpose of retail traffic.

10. But the main cause of disturbance in the natural flow of the bullion trade has arisen from the fortuitous character of our trade with the East, which has prevailed ever since the new discoveries of gold, and has baffled conjecture. The opening of new ports for trade in China has led to a great augmentation of imports into Great Britain and the United States, in excess of the exports to that country. The transmission of treasure on account of capital raised in this country for Indian railways followed; then the loans on account of the expenditure for the suppression of the mutiny; and, lastly, the money required for the purchase of cotton in India in consequence of the Civil war in America. To these events may be added the opening of trade with Japan.

11. In all these cases large remittances of silver have been and are still required to adjust the balance of trade; and though the operation has been continued for some years, it has been owing, in the case of India, to circumstances of a very exceptional character.

12. It is argued by Sir Charles Trevelyan that there is no want of additional circulating medium in India, because prices are universally high and that high prices "are a certain indication of a full state of the circulation, because, whatever may be the causes which create a tendency to a rise in price, they would be held in check if the circulating medium were deficient." This dictum cannot be accepted without qualification. Prices are a relative indication of value; and no sound conclusion can be formed as to what really constitute prices sufficiently high to govern the circulation of specie, unless a comparison be made between the different causes in operation at the present time and at times when prices of commodities were comparatively low. It is true that in the case of trade between countries whose exchanges are generally well balanced, and the supply of specie is in a normal condition, low prices attract, and high prices repel money. But this theory fails in its application, when, in consequence of an increased supply of one or other of the precious metals, a new distribution of them is in progress throughout the world, and when a new trade or a new demand for labor springs up in a country in which the wages of labor are low. In the latter case, a long continued influx of specie and augmentation of the circulation is compatible with a continued rise in prices. It is probable that with the new demand for labor in India, the internal trade of the country has greatly increased, and that with that increase there has arisen a necessity for a large addition to the circulating medium. Much of the money supplied is no doubt hoarded or ultimately converted into ornaments, but the primary want is coin, an adequate supply of which, or its equivalent in notes, can alone avert a recurrence of the crises which are described in the Minute.

13. It is this want, indeed, which has given an impulse to the present demand from merchants and trading bodies for the adoption of a gold subsidiary currency in India. The superior convenience of a gold circulation over silver for purposes of transport and for use in transactions above the ordinary dealings in the market is obvious. Yet many rich countries have employed silver as the standard of value without sensible disadvantage; and in a country like India, coins of inferior

denomination must be most required. It is probable, therefore, that the present movement would not have arisen if the internal traffic of the country had been alone in question, or if the machinery of the mints had been sufficient to have met the demands for the coinage of silver periodically remitted in such large quantities for payments due from England, which will probably continue so long as the present abnormal demand for cotton lasts.

14. The proposal is to ease this pressure by declaring sovereigns a legal tender in India, as the equivalent of ten rupees; and a variety of Returns is furnished to prove that by a comparison of prevailing prices between gold and silver in India, there is a probability that sovereigns will freely pass in payments at that rate. The Returns themselves, even if the conclusions derived from them are correct, do not seem to me to prove that, with every allowance for the peculiar condition of the bullion trade in India, the price of Sovereigns at Calcutta (either British or Australian) is such as to allow of their importation in large quantities for the purpose of circulation at ten rupees. An examination, however, of the Statistical Tables raises doubt regarding the completeness of the calculations comprised in them, and the general conclusions founded on them appear to me to be altogether erroneous.

The information on which the scheme in the Minute is founded is mainly derived from the paper furnished by Mr. Dunlop (Appendix No. 8). This gentleman appears to have collated with intelligence, and, I have no doubt, with great accuracy, the Returns accessible in India* of the imports of gold and silver and of their relative prices.

15. Reasoning founded on statistical compilations is, however, verbally delusive, unless attention be given to collateral facts. No sound conclusions can be formed from averages taken from monthly statements of the prices of gold and silver without information regarding the amount sold in each month, and the circumstances under which each remittance was made. A merchant or banker is not governed in his dealings by averages, but by his calculation of the immediate profit

* I may, however, observe that the table of the selling prices of bar gold and silver of standard quality in London is calculated to convey an erroneous impression. The prices of gold which Mr. Dunlop quotes are evidently those of what is technically called "bar gold parting," that is, gold containing silver in the alloy which may be parted in the refinery. Generally speaking, it means Australian bar-gold, which, on account of the silver contained in it, bears a higher price than standard gold of the quality that is taken to the Mint.

to be derived from each transaction. The flow of the precious metals is governed by the exchanges, and a turn of 1 per cent. in them might be sufficient to send gold from one end of the world to the other. Take, for example, the price of Australian Sovereigns at Calcutta in the last three fortnights of 1863, viz., Rs. 10-5, Rs. 10-1-6, and Rs. 10-1; the average of the three quotations would be Rs. 10-2-6; but supposing sovereigns to the extent of £150,000 were sold in the first fortnight, and to the extent of £50,000 in each of the following fortnights, the price realized for the whole would be Rs. 10-3-6. Something of this sort actually occurs in trade.

16. The remittance of sovereigns from England to India is governed by the price of silver and the quantity procurable in London at the time and the price at which bills on London can be purchased in India. Gold is sent in order that the value may be returned, with profit, in the shape of bills. In the month of December 1863 the price of silver in the London market rose to 5s. 1½d. Not only, however, was the high price, but the quantity in the market was insufficient for the amount of remittances required. Time is precious in mercantile transactions, and those who deal in the business of remittance and exchange could not afford to wait for expected arrivals. Gold was therefore sent in place of silver; and I learn, from a Return of the Custom House, that the large amount of £342,615 in gold specie was shipped for Egypt on the 9th of December 1863, the bulk of which was destined for India.

17. Mr. Dunlop comes to the conclusion, from calculations founded on average prices, that British coined gold can "be laid down in Calcutta at Rs. 10-4-10 per sovereign." I have ascertained from the Manager of the Oriental Bank that the actual cost of sovereigns sent to India by that establishment in 1863, was at the rate of Rs. 10-3-4. The difference is important, because much stress is laid in the Minute on the economy of direct transmission of gold from Australia to India. There is, no doubt, a saving of expense under existing circumstances in adopting that course; and that merchants are not slow to avail themselves of the advantage is shown by the fact that out of imports of gold into India, amounting to nearly £3,000,000 in the year 1863, more than two-thirds were drawn from Australia. Yet more is deduced from this advantage than the facts warrant. No allowance is made as a set-off against increased freight, for the charge for refining gold in Australia which is higher by 1 per cent. than that of the London refineries; no

reference is made to the rise in the price of gold in Australia in consequence of the Indian demand, and sufficient consideration is not given to the circumstance that, notwithstanding the facilities afforded by the Australian market, it has yet been profitable to our merchants to send direct from London one-third of the gold required in India.

18. I dwell upon this point because it appears to me that the prime fallacy in the proposed scheme is founded on the sentence of the Minute that—

“The sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia.”

19. The whole question turns upon this assertion, and it is important to examine it, because if it be a fallacy, all the authorities consulted in India by Sir Charles Trevelyan appear to concur in it, with the single exception of the Hon'ble Claud Brown, whose letter is published (Appendix No. 9) with candour, but without the attention which it deserves.

20. It might be a sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate, and if the proposed measure were to bring about the expected result of inducing the transmission of gold in preference to silver, Australia could not supply more than one-fourth of the amount required, even if the whole of its produce of gold were sent thither. It is shown in one of the tables in the Appendix to the Minute, that the amount of treasure imported into India in 1863-64 was £26,147,200, and it is shown in the Minute itself, that the produce of the Australian gold-fields in 1862 was only of the value of £6,685,192 with “a decided tendency to fall off.”

21. It may further be observed, that the gold imported into Great Britain is drawn, in the course of trade, from almost every country, and that Australia supplies but a comparatively small proportion of the amount. According to the Returns of the Board of Trade, the value of the registered imports of gold bullion in 1863 was £19,142,665. Of this only £5,995,368 was derived from Australia. A great part of these general imports is employed, through the operation of the exchanges, in acquiring silver for transmission to India; and if, by an alteration of the Currency laws, silver should cease to be the preferable medium of remittance, gold would be sent direct to India from England, instead of being used circuitously in the purchase of silver.

22. The principle involved requires, however, further investigation, and I propose to direct attention to the experience to be derived from the proceedings of other nations which have adopted a mixed currency, and to draw inferences from that experienced in regard to India.

23. I will first refer, in some detail, to the case of the United States, because the proceedings of that Government afford an example of the effect, on a currency, of small errors in calculations of relative value, and because the history of those proceedings is not correctly quoted in the Minute.

24. The first Act of Congress for the regulation of the Currency of the United States was passed in 1792. It enacted that "there shall be from time to time struck at the Mint dollars and units, each to be of the value of a spanish dollar, and to contain $371\frac{1}{4}$ grains of pure, and 416 grains of standard silver." The Eagle (or 10-dollar piece) coined after this, contained $247\frac{1}{2}$ grains of fine gold.

25. It may not be unworthy of remark that Congress in its first search for the "almighty dollar" deviated from the coin proposed for their model, as the average contents of fine silver in the Spanish dollars was about 376 grains. The authorities of the United States thus began their operations by a depreciation of the currency to the extent of more than 1 per cent.

26. It will be observed that the relative valuation of the gold coin to the silver dollar gave the proportion of 1 of gold to 15 of silver; and as the average relation of the two metals to each other in the general market was at the time as 1 to 15.7, gold was under-valued in the currency, and the new silver dollar became the practical standard of value in the United States. This state of things continued until 1834, when an Act was passed reducing the contents of fine gold in the Eagle to 232 grains, thus altering the proportion of gold to silver in the currency from 1 to 15 to 1 to 16. Gold being thus over-valued became the preferable medium of exchange, and a further depreciation of the currency was established. Subsequent Acts altered the proportion of alloy in the two descriptions of coin, but made no appreciable alteration in their relative contents of pure metal. After 1834 the quantities of gold taken to the United States' Mints for coinage greatly exceeded the quantities of silver, and the coinage of the silver dollar and its subdivisions was limited to the requirements for a circulation of the lower

denominations. Although the coinage of silver under this system was expensive, no material inconvenience appears to have been felt until after the discovery of the gold mines of California, when the relation of the two metals to each other was altered to an extent which rendered it profitable to collect the small silver coins for exportation. To remedy this evil, an Act was passed in 1853, not altering the old silver dollar (that is, the whole dollar) but authorizing the coinage of half dollars and lower fractions of a dollar, at the rate of 192 grains for the half dollar in silver of nine-tenths fineness, which should pass for a limited tender of payment on the principle of the token coinage of Great Britain. After the passing of this Act the coinage of entire silver dollars fell into disuse, and the last coin of this description was issued in 1857. Legally, therefore, the double currency of gold and silver still exists in the United States, but gold became the practical measure of value until displaced by the recent excessive issues of Government Paper money.

27. In France the attempt to establish a double medium of exchange was more nearly adapted to the prevailing relative value of the two precious metals. The proportion adopted was as 1 of gold to $15\frac{1}{2}$ of silver. At these rates silver was the cheaper tender of payment until after the new discoveries of gold, but the difference before that event was not so great as to preclude the use of gold entirely, and it passed current at a varying premium. In certain conditions of the exchanges, gold passed between London and Paris in adjustment of payments, and the same bag of gold has been known to make several journeys in these transactions.

28. It is unnecessary to refer to other European countries in which a similar system has prevailed; and it is sufficient to observe that, under its operation, gold and silver were both available for the adjustment of mercantile transactions on the Continent of Europe.

29. I will, however, make a passing remark on the application of this principle to the currency of the West Indies, because Sir Charles Trevelyan has called attention to a paper written by me in 1858, in which reference is made to this subject, and because the arrangement of 1838, for the regulation of the currency of the British Colonies in that part of the world, affords the most perfect example on record of a successful adjustment of a mixed currency. The arrangement is so fully described in the extract from my paper (Appendix No. 7), that it is unnecessary here to repeat the details.

30. Sir Charles Trevelyan has referred to my labors under him and with him in and for the public service, in terms so gratifying that I am sorry to find myself in opposition to him on the present occasion. But his candour has hitherto led him to bear much from me in our mutual discussions on financial and other public matters, and he will not, I feel sure, object to my stating that I regret the use made of this document, which does not, I think, bear out the inference which he derives from it.

31. The paper from which the extract is made was written for the purpose of proving that the arrangement, which was successful in the West Indies, was inapplicable to the Colony of Hong-Kong, and for like reasons I consider it inapplicable under existing circumstances to India. I think that the extract itself shows that the conditions which rendered the transition from a silver to a gold currency in the West Indies, easy and unobjectionable, are not to be found in India. In the West Indies, coins of the two metals were rated for circulation on a fine calculation of their relative value; and British silver, which combining with that relative valuation represented fractional parts of both descriptions of coins, constituted, as it were, a pivot on which a change from one to the other could be made, without derangement of contracts or current business. In India both these ingredients are wanting. There is no concurrent valuation of gold and silver coins to form the foundation of a change, and there is no subordinate coinage which can be adapted equally to the current money of India and Great Britain.

32. It will be obvious that, in all the foregoing cases, a common prevailing price constituted the basis on which the regulation of the concurrent use of gold and silver coins was attempted, and that the practical results have depended on that prevailing price and its latter variations. The currencies of France, of the United States, and of the West Indies were influenced by a common cause.

33. We find no room for speculation on the sources of the supply of the precious metals. Before the recent discoveries, the principal supply of gold was derived from the Ural Mountains, but it was not found that gold, for permanent and practical purposes of regulation, was cheaper in the countries bordering on Russia than in America.

34. Gold derived from America is constantly sent back from London to the Brazils in the course of trade. In 1863, gold of the value

of £2,707,857 was sent from Great Britain to Russia, a gold-producing country, and re-imports thence of the value of £904,532 occurred in the same year. When once sent on its travels, the original attribute of peculiar value is lost, and gold of the same quality becomes of the same value whencesoever it may be derived, and whatever may be the cost of the labor which produces it.

35. On what ground, then, is it supposed that the general law is inapplicable to India, and in what way are we to account for the undoubted fact that gold is relatively cheaper in India, as compared with silver, than in London?

36. The apparent anomaly is owing to the exceptional position which India holds, and is easily accounted for.

37. Silver is the standard, and the regulator of prices in India, to the entire exclusion of gold as a measure of value. It is so generally in the East. Except in the comparatively small communities of Ceylon, Mauritius, and Manilla, and doubtfully in Japan, gold hardly enters into the currencies of the vast regions eastward of the Cape of Good Hope and northward of Australia. It follows that it is comparatively depreciated there when measured by the silver money of those regions. The material of that money, purchased with gold in London, must bear the charges of freight, insurance, interest, and mintage, amounting in India to $5\frac{1}{4}$ per cent. (as correctly shown in Mr. Dunlop's paper) before it can be brought into circulation in India. It is by this silver measure of value, thus enhanced in price, that the cost of the Australian sovereign is estimated in Sir Charles Trevelyan's Minute.

38. Remove the impediment to the concurrent circulation of gold with silver, and the cause of this difference of value between the two metals in the west and the east will disappear. The tendency, at least, must be to an equalization of the general rates of the bullion market in both quarters. It is therefore the price of silver, in London, and not the price at which sovereigns can be laid down at Calcutta from Australia, as estimated in present currency of India, which should be regarded as the point for consideration in this matter.

39. And this constitutes the main difficulty in devising any measure for the introduction of a gold currency into India. Experience is wanting for a guide. During the first half of the present century, there was little variation in the comparative value of gold and silver. The normal price of silver of British standard in London was about 60*d.* the ounce.

The new discoveries of gold disturbed this relation, and the price of silver has of late years been subject to so much fluctuation, that it would be difficult now to fix an average for the concurrent circulation of coins of the two metals. But this is not all. Although the ultimate value of gold and silver must, as before observed, be derived from the value of the labor employed in their production, their immediate price is governed by the law of supply and demand to an extent, and sometimes for a prolonged period of time exceeding that which applies to other commodities. The price of standard silver in London has been mainly influenced of late years by the abnormal requirements for India. When the demand for transmission of silver thither has been great, the price in London has risen; when it has temporarily ceased it has fallen—on one occasion even to an extent which touched the point at which it would have been profitable to send silver to France. Any measure, therefore, which would lead to the practical employment of gold in preference to silver in the currency of India, would cause a cessation in this demand, and lead to a re-action in the upward tendency which has of late prevailed in its price as compared with gold.

40. On this ground it would seem to be rash to attempt, at the present time, any permanent regulation which, if effectual for the establishment of gold in the currency of India, must be of doubtful tendency, and if ineffectual, would be simply delusive, and therefore not creditable to the foresight of Government.

41. A tentative and experimental course would seem the wisest policy in this intricate matter. I understand that the Secretary of State proposes to authorize the receipt of sovereigns at the rate of 10 rupees each in payment of the revenue. Although this measure will not probably give currency to British money at this rate at the Presidencies, it may lead to its increased use in the Provinces, where, on account of the convenience of transport, it will find its way at less cost than silver; and if the sovereign is officially recognized as currency in any part of India, it may perhaps be received in payment at the Presidencies at a varying premium, just as gold formerly passed current to a limited extent in France. The experiment is worth a trial, and will afford a sure test of the various speculations which have prevailed on the subject.

42. It might tend to afford relief in times of pressure, if the principle were extended to the issue of Notes in exchange for sovereigns deposited at the same rate. If such issues were allowed as a temporary

expedient, on the condition of allowing the depositors to redeem their gold within a limited period, the difficulties arising from the delays in the coinage of silver might be greatly alleviated. The transaction would be as safe for the Government as the receipt of sovereigns in revenue payments. It will be seen that the practical objection to which Sir Charles Trevelyan refers in an extract from a paper of mine would not apply to an issue of notes on a deposit of gold for an amount below its intrinsic value. The objection entertained by Mr. Wilson on the subject, on which Sir C. Trevelyan dwells, is at best more a theoretical than a practical one, not borne out by the experience afforded by the practice of the Bank of England; and it will probably be admitted that a measure which may be a gain to the mercantile community by giving them the command of money when needed, will not result in "pure loss" to the Government.

G. ARBUTHNOT.

*Financial Despatch from the RIGHT HON'BLE SIR CHARLES WOOD, BART.,
G. C. B., Secy. of State for India, to His Excellency the Right Hon'ble
the Governor General of India in Council,—No. 224, dated 26th
September 1864.*

I have received your despatch dated the 14th July last, No. 89, enclosing the elaborate Minute of Sir Charles Trevelyan, and the valuable papers contained in the Appendix, on the subject of introducing gold into the currency of India.

2. The practical proposal of Sir C. Trevelyan on this subject, in which you express the concurrence of your Government, is to make the gold sovereign and half-sovereign legal tender in India for ten and five rupees respectively, concurrently with silver rupees, and ultimately to establish a gold standard and currency in India, as in England and Australia, with a subsidiary coinage of silver, the silver coins not possessing the intrinsic value which they represent, and being legal tender only to a certain amount.

3. I have carefully considered in Council this important question, which indeed has occupied my attention for some time, and which, as you will have learnt from the public journals, has been the subject of a debate in Parliament.

4. I lose no time in making you acquainted with the views which Her Majesty's Government entertain upon this subject, for I concur in the opinion that it is desirable that their decision on the question should be made known as early as possible in India.

5. It is obvious, from the information collected by Sir C. Trevelyan, that there is a very general desire for the introduction of gold coins in India; that the people, even in the upper and remote parts of India, are well acquainted with the sovereign; and that there is a very general impression that the introduction of the sovereign would be well received, and that it would circulate freely at ten rupees. Nor can there be any doubt of the advantage to India, England, and Australia, if the gold sovereign could be made the basis of their common currency.

6. It is not proposed at once to change the standard coin of India, and indeed it would be a very serious measure hastily to attempt so great a revolution in the habits of the people. There is great wisdom in the

observations of the Chamber of Commerce at Calcutta, that they are "strongly in favor of the introduction of gold as an auxiliary currency "and as a tentative measure, which they believe will gradually but "surely lead to the adoption of gold as the general metallic currency of "this country, with silver as the auxiliary; but they are opposed to any "sudden change being attempted, fearing that any such attempt would "prove unsuccessful, and be likely to cause great derangement in the "commerce and finance of India."

7. The only practical measure, therefore, to be considered is the establishment of a double standard of gold and silver, the gold sovereign being legal tender for the same sum as ten silver rupees.

8. I will not stop to discuss the general question of establishing a double standard, but it appears to me that there are great practical objections in the way of adopting the measure actually proposed.

9. It is only necessary to state that, where coins of the two metals, gold and silver, are equally legal tender, those of the metal which, at the relative legal rating of the two metals, is cheapest at any period, are thereby constituted the currency, and the metal of which they are made becomes practically the standard at the time, and further that a very slight difference in the relative value of the two metals may change the standard and the whole currency of a country.

10. The readiest illustration of this truth is the recent change in the circulation of France. In that country coins of gold and silver were equally legal tender. Gold coins containing one ounce of gold were legal tender for the same sum as silver coins containing $15\frac{1}{2}$ ounces of silver.

11. Before the recent discoveries of gold an ounce of gold was worth, in the markets of Europe, nearly $15\frac{3}{4}$ ounces of silver. It was, therefore, according to the relative legal rating of gold, and silver, more advantageous to pay in silver than in gold. Silver coin, therefore, for many years formed the currency of France, the gold coin bearing a premium. Since the recent discoveries of gold, the value of gold relatively to silver has fallen to about 1 to $15\frac{1}{4}$. This difference has rendered it more advantageous to pay in gold. Gold has displaced silver, and now forms the currency and standard in France.

12. It is obvious, therefore, that whether the sovereign, rated at 10 rupees, can circulate to any extent in India, concurrently with the

silver rupees, depends upon the question whether it will be cheaper to meet an obligation of the amount of 10 rupees by a gold sovereign or by 10 silver rupees.

13. In examining this point, it is enough to refer to the information and the calculations contained in the Appendix to Sir C. Trevelyan's Minute as to the value of the sovereign in India.

14. In these calculations the value of gold is of course taken in rupees of the Indian silver standard.

15. There are two modes referred to in those papers by which sovereigns might be provided for the currency of India, first, by coining them in India, secondly, by importing English or Australian sovereigns.

16. With regard to the first proposal of coining sovereigns in India, Mr. Brown's paper contains a calculation of the cost at present of producing a sovereign at a Mint in India, and he estimates it at Rs. 10-4-6.

17. With regard to the second proposal of importing sovereigns, Mr. Dunlop's paper estimates the price, calculated in rupees (and the rupees taken at the $\frac{1}{10}$ th part of an English pound), at which an English sovereign can be laid down at Calcutta at Rs. 10-4-10, that of an Australian sovereign at Rs. 10-2-9.

18. The prices at which Australian sovereigns have been actually sold at Calcutta, according to Mr. Dunlop's paper, give a higher value for the sovereign than this, and the prices of English sovereigns, which I have received from Bombay, are also rather higher than the price above given.

19. I do not know that, in the present exceptional state of the markets for produce in India, the present prices of the precious metals are a good criterion of their value. On referring to the prices of silver in the markets of Europe, the intrinsic value of the sovereign in rupees would seem to be about Rs. 10-8 at the present price of silver in London, and about Rs. 10-12 at the price which prevailed some time before 1850.

20. At the present prices of gold, with the various charges of bringing it to India, the value of the sovereign must, according to these statements (and it is by these statements that Sir C. Trevelyan's proposal is supported), be so much above that of 10 silver rupees that, for the purpose of making any payment, the latter coins must necessarily be preferred to the sovereign.

21. If there were the means of coining sovereigns in India, it would be more for the advantage of the holder of bullion to carry silver to the Mint for coinage rather than gold, and it would be more for the advantage of the exporter from England to send silver to India rather than gold or sovereigns. Even if the sovereign is imported from Australia, it would be more valuable in India than 10 silver rupees.

22. If the use of gold in the currency of India enhanced its value there, as is probable, and if the anticipations which are generally entertained of a diminishing supply of gold, and an increasing supply of silver, should be realized, the difference in favor of the employment of silver coin will be greater even than it is at present.

23. I cannot but think, therefore, that to enact that a sovereign should be legal tender at 10 rupees, with the view of introducing it largely into the currency of India, would be totally inoperative; and it is very inexpedient to enact a law which would have no practical effect, and which it might be necessary to alter in a very short time.

24. I am unwilling, therefore, to sanction such an enactment, but at the same time I see no objection to reverting to a state of matters which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government, and publicly announced by proclamation.

25. This was the case with the gold mohur, or 15-rupee piece, from 1835 till Lord Dalhousie's proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835.

26. At their present value, there can hardly be a question of the readiness of the people of India to receive sovereigns for 10 rupees, and if any difficulty should be apprehended about their doing so in parts of the country distant from the Presidency towns, it will be obviated by their being received at that rate into the Government treasuries. I do not anticipate the least risk of loss to the Government by so receiving them. One of the Appendices to Sir C. Trevelyan's Minute shows that the sovereigns received into the treasury of the Madras Presidency were sold at a profit. The only possibility of loss is such a change in the value of gold as would make a sovereign worth less than 10 rupees, and, for the reasons which I have given, I do not anticipate any probability of this being the case. If it should happen, it would be a very simple measure to alter the rate at which they were received.

27. The obligation which is imposed by making a coin legal tender is only an obligation upon the receiver to take it for a given sum. No obligation is imposed by such an enactment on the person paying. It is obviously unnecessary to impose an obligation upon any one to receive a sovereign for more than its value; and as the person paying, by whom, in fact, the coin is put into circulation, has the option of paying either in gold or in silver, the question as regards the introduction of the sovereign into circulation at the rate of 10 rupees must depend upon whether it would be worth the while of any person having a payment to make to carry gold to a Mint to be coined into sovereigns, or to import sovereigns, in order that he may have the power of paying a sovereign in discharge of a debt which he may equally discharge with 10 silver rupees.

28. It is not probable that, at the present relative value of gold and silver, any one would incur the loss which such a proceeding would cause, but if the convenience of the sovereign circulating at the rate of 10 rupees is so great as is represented in Sir C. Trevelyan's Minute and the accompanying papers, it is possible that this advantage may counter-balance some loss.

29. Whether it would do so, and to what extent, can only be determined by experience, and I am of opinion that it may be desirable to try at once, as an experimental measure, the course which I have suggested.

30. I wish you, therefore, to declare and to make it publicly known by proclamation, that sovereigns and half-sovereigns, according to the British and Australian standard, coined at any properly authorized Royal Mint in England or Australia, and of current weight, will, until further notice, be received in all the treasuries of India for the same sum as 10 and 5 silver rupees respectively, and will be paid out again at the same rate, unless objected to.

31. This measure appears to be entirely unobjectionable. It is in accordance with the cautious and tentative course recommended by the Chamber of Commerce of Calcutta; it will, as far as it goes, facilitate the use of the sovereign and half-sovereign in all parts of India; it will pave the way for the use of a gold coinage in whatever shape it may ultimately be found advisable to introduce it; and, at the same time, it establishes a preference in favor of the sovereign.

Notification by the Govt. of India, Finl. Dept.,—No. 3517, dated 23rd November 1864.

The Governor General of India in Council, considering it expedient that the circulation of British and Australian sovereigns in all parts of British India and its dependencies should be encouraged and facilitated, is pleased hereby to direct that, from and after the publication of this Notification, sovereigns and half-sovereigns coined at any authorized Royal Mint in England or Australia of current weight,* shall, until further notice, be received in all the Treasuries of British India and its dependencies in payment of sums due to the Government, as the equivalent of ten and five rupees respectively; and that such sovereigns and half-sovereigns shall, whenever available at any Government Treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government.

Notification by the Govt. of India, Finl. Dept.,—No. 3518, dated 23rd November 1864.

The Governor General of India in Council is pleased to direct, under the authority vested in him by Act XIX of 1861, Section 9, that Government Currency Notes shall, until further notice, be issued at the Offices and Agencies of Issue of the several Circles of Government Paper Currency in British India, in exchange for sovereigns and half-sovereigns, coined at any authorised Royal Mint in England or Australia, and of current weight, calculated at the rate of ten and five rupees' respectively, to an extent not exceeding one-fourth of the total amount of issues represented by coin, or by coin and bullion in each circle.

* The standard weight of the sovereign is grains 23·274, and it ceases to be current when, from wearage or other causes, it falls in weight below grains 122·5.

Minute by the HON'BLE SIR C. E. TREVELYAN, K. C. B.,—dated 23rd November 1864.

In submitting drafts of Notifications to give effect to the Secretary of State's decision on the question of a gold currency for India, I think it right to make the following remarks :—

The Secretary of State's decision is based upon the following positions laid down in the 12th, 20th, and 23rd paragraphs of his despatch dated the 26th September last, No. 224; that whether the sovereign, rated at ten rupees, can circulate to any extent in India, depends upon the question whether it will be cheaper to meet an obligation of the amount of ten rupees by a gold sovereign or by ten silver rupees; that, at the present prices of gold, the value of the sovereign must be so much above that of ten silver rupees that, for the purpose of making any payment, the latter coins must necessarily be preferred to the sovereign; therefore, to enact that a sovereign should be legal tender at ten rupees, with the view of introducing it largely into the currency of India, would be totally inoperative; and it is very inexpedient to enact a law which would have no practical effect, and which it might be necessary to alter in a very short time.

If the present prices of gold are calculated for this purpose upon those prevailing in London, the correctness of this view must be at once admitted.

The value of the sovereign is about Rs. 10-8 at the present price of silver in London. If, therefore, the currency of the sovereign in India depended upon its value in London, to enact that the sovereign should be legal tender at ten rupees, would be entirely inoperative.

But the sovereign must be rated for circulation in India, not with reference to its English, but to its Indian price estimated in silver.

This may be at once established by the fact that, if the sovereign were made legal tender in India at the English price of Rs. 10-8, the existing Indian currency would be rapidly revolutionised, and creditors would receive much less than their due.

The value of the precious metals is determined by the same principles as that of other commodities. Gold and silver are cheapest at the place of production, and their price augments in proportion to the charges which have to be incurred in order to lay them down at any given place.

Gold reaches India from Sydney and Melbourne by a short and direct route of little more than a month, being transhipped from one line of the Peninsular and Oriental Steamers to another at Galle. Silver is brought from South America by the round-about way of England, charged with the additional freight and interest consequent upon the increased length of the voyage.

Silver is also so much more bulky than gold, that it becomes dearer, by comparison, in proportion as the two metals are removed from their sources of production. Thus, although both the precious metals are more valuable with reference to other commodities in the interior of India than they are at the ports, gold is, on account of its superior portability, sent in great quantities to the distant parts of the interior, in preference to silver, to adjust the exchanges, and it is always somewhat cheaper there, estimated in silver, than it is at Calcutta and Bombay.

Since the beginning of December last, the average price of the sovereign at Calcutta has been Rs. 10-1-3, while, during the same period at Bombay, it has been 10-2-8.* The price of the sovereign had been occasionally lower than this, but it will be seen from the quotations in the Appendix, which have been kindly furnished to me by Mr. Dunlop in continuation of those annexed to my previous Minute, that, during nearly a year, these low rates have constantly prevailed, and that the latest tendency is to a further reduction. The large quantity of gold imported during the same period precludes the idea of the quotations referring to isolated or accidental transactions, the importations at Calcutta from the 1st December 1863 to the 31st October 1864 having amounted to £2,383,435, and at Bombay to £4,919,733.

The state of the Indian produce markets equally affects both the precious metals. Owing to the fall in the price of cotton and other causes, they are likely to be in less demand than they have been; but this will not disturb the local relative value of gold and silver.

No reasonable doubt can, I think, be entertained that the sovereign would, under these circumstances, pass current at ten rupees, if it were made a legal tender at that rate. The superior convenience of a gold currency is worth, on an average of all sorts of transactions, at least two per cent., whereas, taking the sovereign at ten rupees, gold would

* This difference of price is attributable to the greater abundance of silver at Bombay and to the circumstance of there being less direct trade between Australia and Bombay than between Australia and Calcutta.

be rated only $\frac{3}{4}$ per cent. below its current market value in reference to silver at Calcutta, and $1\frac{1}{2}$ per cent. at Bombay. For every practical purpose, the case has occurred which was contemplated in the following passage of Sir Charles Wood's despatch, dated the 2nd May 1861:—
 "I am not insensible to the possible advantage which might arise from the introduction of the sovereign as the current coin of India (as it is, I believe, in Ceylon), but, at the present relative intrinsic value of gold and silver, no combination of Indian coins can express the value of the sovereign. If by any change in the relative value of the two metals, a sovereign and ten rupees were to become of equal intrinsic value, the sovereign might readily be introduced, and become the standard coin of India."

This great public question could hardly be in a better position for satisfactory solution. If the sovereign had been worth rather less than ten rupees, it could not have been made a legal tender at that rate, because every creditor would have been defrauded to the extent of the difference; but, being worth more, and yet only as much more as would be compensated by the superior advantages of a gold currency, the measure may be safely adopted. The object is not to make a revolution and breach of faith by a sudden flood of gold, but to provide for the *future*, as the first Napoleon did half a century before the discovery of the Californian gold fields.

Although a single metal must in every country be ultimately adopted as the standard, it may be for the public advantage to pass through a period of double standard in order to change the basis of the currency from silver to gold, provided the new gold currency be properly rated with reference to silver. This has taken place of late years, without inconvenience and with much general benefit in our West India Colonies, the United States, and France; and I submit that the altered circumstances of India call for the adoption of a similar arrangement.

The Secretary of State has determined to maintain the practice of issuing notes against bullion at Calcutta, Madras, and Bombay, and has now further directed that notes shall be issued against sovereigns without declaring that coin legal tender.

The principle of a note currency is, that it is the representative of the current legal coin; and that, not being issuable except in exchange for coin, the mixed currency of notes and coin varies in quantity exactly as if it were wholly composed of coin.

It is true that the Bank of England issues notes upon bullion, but this is a remnant of the original mercantile basis of the English paper currency, and it is attended with this practical convenience, that bullion is used at home as a sort of international currency in adjusting the foreign exchanges. In India bullion is imported solely in order to its being converted into coin in the shortest possible time, and the proper place for it is therefore the Mint, and not the Currency Department.

This part of the subject is clearly and correctly explained in the Secretary of State's despatch of the 2nd of May 1861 :—"The position of the Government or Currency Commissioners is totally different from that of a great banking establishment like the Bank of England. It is no part of the functions of the Government Currency Establishment to hold bullion for the convenience of the merchant. To whatever extent this may be necessary or useful in India, it should be done by the Banks of that country. It is a part of the banking or trading business of the community. The bullion or coin held in the Department of Issue must be held entirely for its own purposes, and be of such a description as to ensure those purposes being answered. Now the demand of coin for notes, which is to be anticipated and feared in India is an internal demand, which might occur if distrust of the notes were entertained. To meet such a demand, the current coin of the country is the only certain resource. If gold were held in the Currency Department, it still must be optional with the person presenting notes to receive it. The only certain security for the convertibility of the note at the office of the issuer is payment in that coin which is legal tender throughout the country."

One main object of a paper currency is to economise the stock of specie, and to restore to reproductive purposes all that is not required to support the paper circulation. The Government notes in circulation are now upwards of seven millions sterling. The investments in Government Securities amount to little more than three millions. The difference between these two sums, or more than four millions sterling, is retained in coin and bullion. But, so steady has been the growth of the paper circulation, and so fully has it stood the test of commercial crisis, that much less than four millions sterling would suffice to meet every probable demand if the remainder consisted solely of "that coin which is legal tender throughout the country."

The note circulation of Calcutta and Bombay alone is £6,260,000. The reserves in coin and bullion amount to £3,570,000. But, in order

to assist in meeting the sudden and indefinite demands upon the cash balances arising from the practice which has been recently adopted of cashing Mint certificates at sight, authority has been given for exchanging bullion deposited in the Mint for coin deposited in the Currency Department, to any extent, provided the coin in the latter is not reduced below £800,000 at each place. The actual reserve of coin in the Currency Departments at Calcutta and Bombay, is therefore less than the total amount of the deposits of coin and bullion by nearly two millions sterling, the greater part of which might safely be invested in Government securities, and be thereby restored to reproductive purposes in the hands of individuals, if Mint certificates were again made payable after the bullion has been coined, and the deposits in the Currency Department were confined to the current legal coin.

The Secretary of State proposes that bullion should still be received both at the Mint and in the Currency Department, but that "provision should be made by law, if necessary, to enable the Government to interpose such interval between the presentation of the bullion and the delivery of the notes as may, in the existing circumstances and state of the Mint, render it perfectly safe from any demand for coin which it might not have in its power to meet."

If the holders of bullion are to wait until it is coined before they receive its value in coin, or in notes which represent coin, they may with greater advantage wait at the Mint, whose business it is to convert bullion into coin, than at the Currency Department, whose business it is to exchange notes for coin.

On the other hand, if the holders are to have their bullion discounted either at the Mint or the Currency Department before it is coined, this can only be done by keeping balances greatly in excess of what is required for the public service. No system of finance could, without serious loss and danger, stand such a liability as that of having to pay, on demand, the value of all the bullion landed on the shores of India. What would be thought if it were proposed that the Chancellor of the Exchequer should discount, out of his cash balance at the Bank, the whole of the bullion which reaches England?

If these premises are correct, it would follow—

1st.—That the Assay Departments at the three Indian Mints should be made as efficient as possible, so that there may be no unnecessary

delay in delivering Mint certificates, which are negotiable securities, to the holders of bullion.

2nd.—That Mint certificates should be payable, as formerly, at twenty days' sight; and

3rd.—That Government Currency Notes should be issued in the Calcutta, Madras, and Bombay Circles, as they are in the circles which have been recently established in the interior, only in exchange for coin which is legal tender.

APPENDIX.

Calcutta Quotations for Australian Gold.

	22 CARAT BAR.		24 CARAT BAR.		Sovereigns.
	Per Tola.	Per Ounce.	Per Tola.	Per Ounce.	
8th December 1863 ...	14 7 0	38 8 0	15 12 0	42 0 0	10 1 6
22nd „ „ ...	14 6 1	38 5 6 $\frac{1}{2}$	15 11 0	41 13 4	10 1 0
8th January 1864 ...	14 2 1	37 16 10 $\frac{3}{4}$	15 7 0	41 2 8	10 1 0
22nd „ „ ..	14 7 0	38 8 0	15 12 0	42 0 0	10 1 0
8th February „ ...	14 10 8	39 1 9 $\frac{1}{2}$	16 0 0	42 10 8	10 1 6
22nd „ „ ...	14 12 6	39 6 8	16 2 0	43 0 0	10 1 6
8th March „ ...	14 11 7	39 4 2 $\frac{3}{4}$	16 1 0	42 13 4	10 1 9
22nd „ „ ...	14 11 7	39 4 2 $\frac{3}{4}$	16 1 0	43 13 4	10 1 6
8th April „ ..	14 12 11	39 7 9 $\frac{1}{2}$	16 2 6	43 1 4	10 1 0
22nd „ „ ...	14 12 11	39 7 9 $\frac{1}{2}$	16 2 6	43 1 4	10 1 3
8th May „ ...	14 11 7	39 4 2 $\frac{3}{4}$	16 1 0	42 13 4	10 2 0
22nd „ „ ...	14 9 9	38 15 4	15 15 0	42 8 0	10 1 3
8th June „ ...	14 9 9	38 15 4	15 15 0	42 8 0	10 1 6
21st „ „ ...	14 7 11	38 10 5 $\frac{1}{2}$	15 13 0	42 2 8	10 2 0
7th July „ ...	14 7 11	38 10 5 $\frac{1}{2}$	15 13 0	42 2 8	10 2 0
22nd „ „ ...	14 7 0	38 8 0	15 12 0	42 0 0	10 1 6
8th August „ ...	14 10 8	39 1 9 $\frac{1}{2}$	16 0 0	42 10 8	10 1 0
22nd „ „ ...	14 7 0	38 8 0	15 12 0	42 0 0	10 0 0
7th September „ ...	14 6 1	38 5 6 $\frac{3}{4}$	15 11 0	41 13 4	10 0 0
21st „ „ ...	14 6 6 $\frac{1}{2}$	38 6 8	15 11 6	41 14 8	10 1 6
3rd October „ ...	14 6 1	38 5 6 $\frac{3}{4}$	15 11 0	41 13 4	10 2 0
21st „ „ ...	Doorga Poojah Holidays.				
3rd November „ ...	14 7 11	38 10 5 $\frac{1}{2}$	15 13 0	42 2 8	10 0 6

Bombay Quotations for Australian Gold.

	22 CARAT BAR.		24 CARAT BAR.		Sovereigns.
	Per Tola.	Per Ounce.	Per Tola.	Per Ounce.	
12th December 1863 ...	14 2 6	37 12 0	15 7 2	41 3 1 $\frac{1}{2}$	10 3 0
28th " " ..	14 2 6	37 12 0	15 7 2	41 3 1 $\frac{1}{2}$	10 2 0
13th January 1864 ...	14 2 6	37 12 0	15 7 2	41 3 1 $\frac{1}{2}$	10 1 0
28th " " ...	14 7 2	38 8 5 $\frac{1}{2}$	15 12 3	42 0 8	10 3 0
13th February " ...	14 10 3	39 0 8	15 15 7	42 9 6 $\frac{2}{3}$	10 3 0
27th " " ...	14 2 6	37 12 0	15 7 2	41 3 1 $\frac{1}{2}$	10 2 0
12th March " ...	14 10 3	39 0 8	15 15 7	42 9 6 $\frac{2}{3}$	10 2 0
28th " " ...	14 12 0 $\frac{1}{2}$	39 5 4	16 1 6	42 14 8	10 2 6
13th April " ...	14 8 1	38 10 10	15 13 3	42 3 4	10 3 0
28th " " ...	14 10 3	39 0 8	15 15 7	42 9 6 $\frac{2}{3}$	10 2 3
13th May " ...	14 13 10 $\frac{1}{2}$	39 10 2 $\frac{2}{3}$	16 3 6	43 4 0	10 2 6
23rd " " ...	14 13 10 $\frac{1}{2}$	39 10 2 $\frac{2}{3}$	16 3 6	43 4 0	10 3 0
8th June " ..	14 13 10 $\frac{1}{2}$	39 10 2 $\frac{2}{3}$	16 3 6	43 4 0	10 5 0
23rd " " ..	14 10 3	39 0 8	15 15 7	42 9 6 $\frac{2}{3}$	10 2 9
8th July " ...	14 13 10 $\frac{1}{2}$	39 10 2 $\frac{2}{3}$	16 3 6	43 4 0	10 3 0
23rd " " ..	14 12 0 $\frac{1}{2}$	39 5 4	16 1 6	42 14 8	10 3 0
8th August " ...	14 12 0 $\frac{1}{2}$	39 5 4	16 1 6	42 14 8	10 3 0
23rd " " ...	14 12 0 $\frac{1}{2}$	39 5 4	16 1 6	42 14 8	10 3 0
8th September " ...	14 13 10 $\frac{1}{2}$	39 10 2 $\frac{2}{3}$	16 3 6	43 4 0	10 3 0
28th " " ...	14 12 0 $\frac{1}{2}$	39 5 4	16 1 6	42 14 3	10 2 3
13th October " ...	14 10 3	39 0 8	15 15 7	42 9 6 $\frac{2}{3}$	10 2 3
28th " " ...	14 12 0 $\frac{1}{2}$	39 5 4	16 1 6	42 14 8	10 2 0

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 155, dated 3rd December 1864.

With reference to your despatch No. 224, dated the 26th September 1864, we have the honor to forward copies of two Notifications which we have issued, with a view to give effect to your decision that sovereigns and half-sovereigns according to the British and Australian standard may be received at an exchange of 10 rupees and 5 rupees respectively, in payment of Government demands. We also forward a copy of a Minute by the Hon'ble Sir Charles Trevelyan, containing his remarks on the despatch under acknowledgment.

From GEO. DICKSON, Esq., Secy. and Treasurer, Bank of Bengal, to Secy. to Govt. of India, Finl. Dept.,—No. 1042, dated 17th March 1865.

By desire of the Directors, I have the honor to send you herewith copy of a Statement which I laid before the Board on the 16th instant, relative to the practical working of Government Notifications No. 3517, and No. 3518, of 23rd November last, authorizing the receipt of sovereigns and half-sovereigns at the Government Treasuries, and the Offices of Issue of the several Circles of Government, at the rate of ten rupees and five rupees respectively. In view of the continued influx of sovereigns, and the probability, in that event, of the surplus supply being sent to the Mint, the Directors instruct me to submit that the present is a more favorable opportunity for considering what further action may be advisable, than delaying to do so, until the extreme limit of gold deposits which can be held against issues shall have been reached, and the necessity of putting an abrupt termination to existing arrangements by the withdrawal of the privileges allowed by the existing Notifications, be imposed on Government.

2. Under present circumstances, and although the demand for sovereigns is gradually increasing, it is clear that they will not be held in *large* quantities, either by European or Native Merchants, nor enter into general circulation, so long as an uncertain value attaches to them.

3. With the experience of the past three months before them, the Directors instruct me to state that, in their opinion, the time has come

when sovereigns and half-sovereigns of full weight may, with safety and advantage, be declared legal tender at the respective rates of ten and five rupees.

4. The Directors have arrived at this conclusion the more readily because they are of opinion that the timely adoption of such a step will prevent inconvenience to the public and embarrassment to the Government hereafter.

5. Although, doubtless, there are some difficulties to be overcome, the Directors viewing the measure as one for which—after the elaborate discussions that have taken place on the subject—the public are fully prepared, are of opinion that the introduction of the sovereign into the Currency of India will be generally welcomed as a great public boon.

6. The Directors are not apprehensive that any derangement of the money market must necessarily follow. The measure will be gradual in its operation, and insensibly adapt itself to the expanding requirements of a largely increasing commerce, without detriment to the public creditor or inconvenience to Government.

Note by GEO. DICKSON, Esq., Secy. and Treasurer, Bank of Bengal, on the Receipt and Issue of Sovereigns and Half-Sovereigns, under the recent Orders of Government, —dated 9th March 1865.

The following particulars connected with the practical working of the Government Notifications Nos. 3517 and 3518 of 23rd November last, authorizing the receipt of sovereigns and half-sovereigns at the Government Treasuries and the Offices of Issue of the several Circles of Government Paper Currency, at the rate of ten rupees and five rupees respectively, are submitted for the consideration of the Board of Directors.

Receipts.

1st.—We commenced		receiving gold on 1st December in payment	
Proportions of Receipts		of Government dues, and also in the ordi-	
through the General Treasury		nary course of business, in the same way as if	
and the Bank.		sovereigns were legal tender. Since that	
date, the total receipts have been		...	£ 370,986
of which we took in the Treasury		...	£ 1,612
Over the Bank Counter...		...	„ 369,374
			£ 370,986

2nd.—Of the above amount about $\frac{1}{4}$ ths are Australian sovereigns, and $\frac{1}{4}$ th English sovereigns and half-sovereigns.

Proportions in British and Australian Sovereigns.	
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3rd.—The chief lodgments are by the local Branch Banks of Exchange, who have tendered £309,722 of the whole amount.

Principal lodgments.	
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Next in amount are the deposits of a very intelligent Jew Merchant, having a large Opium business and also a direct trade with Arabia and Syria via Suez, from whence he receives chiefly British sovereigns. Native Merchants also have paid in considerable sums.

Some of the English mercantile houses have made similar payments, part of the amount being gathered in their ordinary collections from the Bazar. In short, gold has been paid in by all classes, European and Native.

Payments.

1st.—The gross amount with which we have parted since 1st December

Sent to Branches £14,500.	last is £179,935, almost
Sent to Mint £50,000 on 23rd February.	wholly over the Bank
N. B.—£150 000, second remittance, sent to Mint not yet credited to Bank.	Counter, except £14,500

sent to our Up-country Branches, and £50,000 to the Mint in exchange for rupees.

2nd.—Almost without exception, the English sovereign is preferred by both Europeans and Natives, to the Australian, the latter being taken only when the supply of English sovereigns is exhausted. Europeans returning home, for obvious reasons prefer the English sovereign, and the Natives, because it is more suited to their taste, especially when melted or converted into ornaments. The difference intrinsically, if any, as regards the alloy, they set little value on.

3rd.—Setting out of the calculation £20,000 paid to the Agra Bank early in December, the chief payments have been, 1st, to our Native Bankers for transmission into the interior, and 2nd, to Europeans returning to England, or visitors to the Neilgherries, and travellers by Railway.

Chief Payments.	
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Daily Payments. The average payments, exclusive of sum
sent to Branches, but including £20,000 to
Agra Bank, were— £

Throughout December...	...	...	1,017 per diem.
Throughout January ...	...	...	1,026 „
Throughout February ...	...	...	1,482 „

The calculation does not include the remittance made to the Mint.

Transactions in Gold with Head Commissioner of Currency.

Under Notification No. 3518, Currency Notes may be issued in exchange for sovereigns and half-sovereigns to an extent not exceeding one-fourth of the total amount of issues represented by Coin and Bullion in each Circle.

The latest published Return of the Head Commissioner of Currency shows, that in the Calcutta Circle, the reserves of Silver Coin and Bullion stood as under, viz. :—

			£
Silver Coin ...	...	...	1,063,177
Silver Bullion ...	...	...	460,000
			<hr/>
			£ 1,523,177
			<hr/>
One-fourth of which is ...	...	...	£ 380,794
On the 23rd February last, when the whole available stock of legal tender Coin in the Bank's vaults fell to £108,000, we sent to the Mint in sovereigns for rupees ...	...	...	£ 50,000
And on 8th March ...	...	...	„ 150,000
			<hr/>
			200,000
			<hr/>
Leaving a margin of only ...	...	...	£ 180,794

for future similar deposits; but of course if Notes and not silver were taken, the paper issues would be correspondingly increased, and a larger proportion of gold than £380,000 might consequently be held. But should the flow of gold coin continue steady for a few months longer, it is clear that we shall soon reach the extreme limit, so far as the proportion which can be held in this Circle is in question.

Meanwhile, for current public requirements, we retain in the Bank about £41,000.

Gold sent to Branches.

The accompanying Return from Cawnpore Branch, dated 23rd ultimo, shows that on £4,996 told out to the public, £15-16-9 has been realized as exchange, the highest rate being one anna and six pie, and the average rate one-half of an anna, equal to 3-4ths of a penny on each sovereign, or rather more than sufficient to cover proportion of the cost of carriage and Railway fare of Officer taking up gold from Head Office.

Of the remaining £9,500 distributed among the Branches at Allahabad, Benares, and Mirzapore, the whole has been disposed of with the exception of £2,859; the larger proportion of which is still held at Mirzapore. The exchange realized has been under the average of Cawnpore Branch.

The Directors are aware that the object in sending sovereigns to the Branches was not so much for gain as by way of experiment, and in order to test the public requirements.

Understanding that a considerable trade in bar gold might be profitably conducted at some of our Up-country Branches, I recently addressed a Circular to the Agents on the subject, and at the same time I requested general information regarding the price and circulation of sovereigns within the sphere of the various Agencies. For the information of the Directors a copy of the replies received from our Agents at Agra and Cawnpore are appended to this Note. At the former Branch it will be observed the English sovereign is decidedly preferred. As the weight of the tolah appears to vary so much, I am not yet in a position to give accurate information regarding fluctuations in value of bar gold in the Up-country Bazars, but hope to do so soon.

From a carefully prepared Return in my possession for year ending 31st December 1864, I find that the total imports of gold coin and bullion into Calcutta amounted to £ 2,668,589

Of which we received in Australian gold 2,140,000

Leaving £ 528,589

as the value imported from England, Egypt, and elsewhere.

The subjoined Tabular Statement of the imports and exports of gold to and from the three Presidencies since 1856, when the transactions in that metal first began to bulk largely, may prove interesting.

*Statement showing the Imports and Exports of Gold into and from India, for the years 1856 to 1863.
From April to April.*

Year.	IMPORTS.				EXPORTS.				Calcutta average Rate of Exchange on England for Bills at 6 months' sight.
	Calcutta.	Madras.	Bombay.	Total.	Year.	Calcutta.	Madras.	Bombay.	Total.
1856 ...	£ 1,123,224	£ 135,568	£ 1,249,561	£ 2,508,353	1856 ...	£ 100	£ 5	£ 2,003	£ 2,108
1857 ...	925,946	228,406	1,021,650	2,176,002	1857 ...	66,959	0	17,829	84,788
1858 ...	958,097	356,611	1,515,376	2,830,084	1858 ...	40,726	6,000	285	47,011
1859 ...	2,217,269	252,971	1,967,099	4,437,339	1859 ...	4,346	5,150	1,390	10,886
1860 ...	1,103,769	324,033	2,860,235	4,288,037	1860 ...	0	6	3,797	3,803
1861 ...	1,257,325	485,400	2,499,216	4,242,441	1861 ...	3,438	152	6,282	9,872
1862 ...	1,632,623	706,496	2,851,313	5,190,432	1862 ...	1,805	500	3,702	6,007
1863 ...	1,842,859	1,009,939	4,025,332	6,878,130	1863 ...	13,360	125	19,925	33,410
Total ..	11,061,612	3,499,424	17,989,782	32,550,818		130,734	11,938	55,213	197,885
Average..	1,382,701	437,428	2,248,723	4,068,852		16,342	1,492	6,902	24,736

Per Rupee.
s. d.

Making allowance for the amounts re-transmitted from one Presidency City to another as well as from Ceylon, I think it must be apparent that the value of our gold imports in Leaf, Bullion, and Coin is very much larger than is generally supposed.

If, then, we make allowance for the progressive increase at Bombay for 1863-64, a year of unusual commercial activity and prosperity, I do not think I over-estimate the gold imports into India for year ending 31st December 1864, in taking them at from eight to ten millions sterling. This calculation is indeed greatly strengthened by the valuable information contained in the Report of Major Ward, of the Royal Mint, Sydney, bearing date 21st December last.

As these questions have an important bearing on the Government paper currency, as well as on the Indian standard of value, it is proposed, from time to time, to keep the Government advised of any facts connected with them which may come to my knowledge.

Meanwhile, if the experience of the last three months can be accepted as a guide for the future, it appears sufficiently clear that sovereigns can be supplied at ten rupees, and that if made legal tender, that they will be readily accepted by both Europeans and Natives as a substitute for silver. At the same time it is equally clear that the use of the sovereign will not promote the extension of the ten-rupee Currency Note, confined as it now is within so many Circles of Issue.

One other important fact I may notice, that during the past fortnight, we received in sovereigns upwards of £150,000, which, under the Notification, tended to give ease to a stringent money market.

STATEMENT OF SOVEREIGNS SOLD AT CAWNPORE.

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Detailed Statement of Sovereigns sold by Cawnpore Branch.

Date.	Number of Sovereigns sold.	To whom sold.	Rate.	Amount of Exchange received.	Amount of Sovereigns sold.
1864.					
December 17	100	Rutton Dallal ...	.....	..	1,000 0 0
" "	100	Jumna Dallal ...	.....	...	1,000 0 0
" 19	50	Shewpershad Khuzanchee ..	.....	...	500 0 0
" "	250	Jowahir ...	.....	...	2,500 0 0
" 22	36	Thomas Newton, Esq....	6 pie each	1 2 0	360 0 0
" 23	81	Rutton Dallal ...	3 pie each	1 4 3	810 0 0
" "	15	Thomas Newton, Esq. ..	6 pie each	0 7 6	150 0 0
" "	2	Purus Ram ...	.....	...	20 0 0
" 24	71	Doorjun Bueparee ...	6 pie each	2 3 6	710 0 0
" "	100	Punna Lal Nanik Chund	Ditto	3 2 0	1,000 0 0
" 27	52	Gunashee Bueparee ...	Ditto	1 10 0	520 0 0
" 30	81	Sectul ditto ...	Ditto	2 8 6	810 0 0
1865.					
January 2	85	Doorgapersaud ditto ...	1 anna each	5 5 0	850 0 0
" "	60	Doorjun ditto ...	Ditto	3 12 0	600 0 0
" "	48	Sectul ditto ...	Ditto	3 0 0	480 0 0
" 3	19	Thomas Newton, Esq....	Ditto	1 3 0	190 0 0
" "	65	Doorjun Bueparee ...	1 a. 3 p. each	5 1 3	650 0 0
" 4	50	Ditto ...	1 a. 6 p. each	4 11 0	500 0 0
" "	50	Goojur Suroff ...	Ditto	4 11 0	500 0 0
" 6	25	Sohun Lal ...	Ditto	2 5 6	250 0 0
" 9	19	Jumna Dallal ..	1 a. 3 p. each	1 7 9	190 0 0
" 10	10	S. Thornton, Esq. ...	1 a. 6 p. each	0 15 0	100 0 0
" 12	300	Naraen Suroff ...	1 anna each	18 12 0	3,000 0 0
" "	25	Ram Churn ditto ...	Ditto	1 9 0	250 0 0

Detailed Statement of Sovereigns,—continued.

Date.	Number of Sovereigns sold.	To whom sold.	Rate.	Amount of Exchange received.	Amount of Sovereigns sold.
1865.					
January 12	250	Juggunpersaud ...	1½ anna each	23 7 0	2,500 0 0
„ „	150	ditto ...	Ditto	14 1 0	1,500 0 0
„ 14	50	Dwarka Dallal ...	Ditto	4 11 0	500 0 0
„ 16	50	Brijlall Bueparee ...	Ditto	4 11 0	500 0 0
„ 17	100	Bhujun Lall Suroff ...	1 anna each	6 4 0	1,000 0 0
„ 19	18	Munnee Dallal ...	1¼ anna each	1 6 6	180 0 0
„ „	25	Muthoor Suroff ...	1½ anna each	2 5 6	250 0 0
„ „	26	Munnee Dallal ...	1¼ anna each	2 0 6	260 0 0
„ 20	60	Cleadee Lall ...	Ditto	4 11 0	600 0 0
„ „	50	Goojur Suroff ...	1 anna each	3 2 0	500 0 0
„ 23	50	Hurbhujun Bueparee ...	6 pie each	1 9 0	500 0 0
„ „	100	Gunashee Bueparee ...	Ditto	3 2 0	1,000 0 0
„ „	43	Jumna Dallal ...	Ditto	1 5 6	430 0 0
„ 24	10	Munnee Dallal ...	Ditto	0 5 0	100 0 0
„ „	164	Buddree Suroff ...	3 pie each	2 9 0	1,640 0 0
„ „	69	Ditto ...	1 anna each	4 5 0	690 0 0
„ „	200	Messrs. Begg Maxwell and Co. ...	.....	...	2,000 0 0
„ 25	85	Ruttton Dallal ...	3 pie each	1 5 3	850 0 0
„ 27	20	Munnee Dallal ...	Ditto	0 5 0	200 0 0
„ 30	25	Ditto ...	Ditto	0 6 3	250 0 0
„ „	200	Messrs. Begg Maxwell and Co. ...	.....	...	2,000 0 0
February 2	400	Mudaree Lall Bueparee ...	.....	...	4,000 0 0
„ „	300	Nuraen Suroff ...	.....	...	3,000 0 0
„ „	50	Purus Ram ...	.....	...	500 0 0
„ „	5	Munnee Dallal ...	.....	...	50 0 0

STATEMENT OF SOVEREIGNS SOLD AT CAWNPORE. 319

Detailed Statement of Sovereigns,—continued.

Date.	Number of Sovereigns sold.	To whom sold.	Rate.	Amount of Exchange received.	Amount of Sovereigns sold.
1865.					
February 4	35	Munnee Dallal ...	3 pie each	0 7 9	350 0 0
" 6	40	Gunnessee Beuparee ...	6 pie each	1 4 0	400 0 0
" 7	99	Nuraen Suroff ...	3 pie each	1 8 9	990 0 0
" "	100	Kamtapersband ...	Ditto	1 9 0	1,000 0 0
" 8	66	Munnee Lall ...	Ditto	1 0 6	660 0 0
" 9	100	Rutton Dallal ...	Ditto	1 9 0	1,000 0 0
" "	50	Jumna ditto ..	Ditto	0 12 6	500 0 0
" 11	198	Nuraen Suroff ...	Ditto	3 1 6	1,980 0 0
" "	1	Purmashuree ...	.....	...	10 0 0
" 13	50	Shewram Bueparee ...	.....	...	500 0 0
" "	20	Buddree Doss ...	.....	...	200 0 0
" "	43	Ram Churn Dallal ...	.....	...	430 0 0
Total Sovereigns ..	4,996	Total Rs. ...	.....	58 6 9	49,960 0 0

Equal to 5 annas per cent. or an average premium of $\frac{1}{2}$ anna for each sovereign.

BANK OF BENGAL,
CAWNPORE,
The 23rd February 1865. }

D. KENNEDY,
Agent.

320 LETTER FROM THE AGENT OF THE BANK OF BENGAL AT AGRA.

Extract of a letter from the Cawnpore Agent of the Bank of Bengal, to the Secretary and Treasurer, Bank of Bengal, Calcutta,—No. 2-4, dated 9th February 1865.

With reference to your Circular No. 4 of 4th instant, I beg to state that I believe I could dispose of at least £2,000 worth of gold every month, the practice in the bazar is to pay cash on delivery.

The price of gold in the bazar here at present is—

for 22 carats fine, Rupees 17 per tolah or Rupees 15-5 per Bhurree.

23 do. „ 17-4 do. or „ 15-9 do.

24 do. „ 18 do. or „ 16-4 do. and

of the latter there is none for sale in our bazar at present. I am told the range in prices is seldom or never more than four annas per tolah.

Some of the shroffs tell me that rupees 20,000 worth of gold could be sold in the bazar here to-day for cash at the above prices.

From THOMAS DYSON, Esq., Agent, Bank of Bengal, Agra, to Secy. and Treasurer, Bank of Bengal, Calcutta,—No. 3-12, dated 20th February 1865.

In answer to the enquiries made in Circular No. 4, I beg to submit the following information on the questions raised.

The demand for gold for local use is very slight, so much so that the Branch Khazanchee estimates the aggregate monthly sales at 200 tolahs; but this is mere conjecture.

The descriptions most readily saleable are China leaf gold (so it is described to me) branded “100” and English sovereigns, the prices at date being, respectively, rupees 16-12-0 the Agra tolah and rupees 10-1-6 the sovereign.

The Agra tolah weighs $2\frac{1}{4}$ ruttees more than the Company's tolah of one rupee weight, and this gives a rate for the latter of Rs. 16-15-0.

The price of sovereigns appears never to fall below Rs. 10, simply that they remain intact as sovereigns in the hands of the shroffs, and this class will not part with them for less; on leaving the shroffs' hands, the sovereigns are melted down.

The price of gold per tolah fluctuates greatly ; thus, during the famine in these Provinces, it fell to Rs. 14, the ryots disposing of their ornaments to buy food, while during the height of the cotton mania, it rose to Rs. 18, the ryots being in a position to purchase largely ; gold in their estimation being the most eligible form of investment.

Apart from local requirements, I could possibly dispose of $1\frac{1}{2}$ to 2 lakhs a month just at present, for Delhi and other Up-country cities.

Our rate is now Rs. 10-1-6, and if sovereigns can be procured in Calcutta on the same terms, a remittance would pay the Bank, as taking the cost of a silver remittance at eight annas per cent., there would be at least a profit of seven annas, as the outside cost of a gold remittance would not exceed one anna.

I think this Branch should be placed in funds by a remittance of English sovereigns, whenever procurable in Calcutta at par.

The Australian sovereigns do not find favor with jewellers and goldsmiths here.

The tolahs of Mirzapore, Benares, Delhi, &c., are all different, and this renders the gold quotations somewhat puzzling.

I do not consider any advantage would be gained by disposing of sovereigns for Bills payable one month after delivery, as the Kootees whose promissory notes could be safely taken, would purchase on speculation for sale elsewhere, and being wealthy enough to pay cash, would not care to enhance the price by one month's interest, at least so the Branch Khazanchee reports. Should the Bank establish Branches at Delhi and Umritsir, a profitable business in gold could be done, the consumption for jewellery in the former city being very great, while, in the latter, gold is taken by traders from Cabool and Bokhara, and I believe Persia.

*From E. D. J. EZRA, Esq., Arab Merchant, to Secy. and Treasurer,
Bank of Bengal, Calcutta,—dated 9th March 1865.*

The sovereigns paid by us to the Bank of Bengal are received from our constituents at Egypt, Damascus, Beyroot, Aleppo, &c. They are sent for the purchase of indigo and Dacca piece goods. The sovereigns received by us are mostly English. Some of them are insured, and some are not.

From E. H. LUSHINGTON, Esq., Secy. to Govt. of India, Finl. Dept., to Secy. and Treasurer, Bank of Bengal,—No. 1662, dated 23rd March 1865.

I am directed to acknowledge the receipt of your letter No. 1042, dated 17th instant, with your accompanying Memorandum, reporting, by desire of the Directors, the result of the transactions at the Bank of Bengal under the Government Notifications of November last, authorising the receipt of sovereigns and half-sovereigns in the Treasuries and Currency Offices at the respective rates of ten and five rupees, and I am instructed by the Governor General in Council to request that you will convey to the Directors his thanks for this interesting and important communication.

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 56, dated 21st March 1865.

We have the honor to transmit a copy of a communication which we have received from the Directors of the Bank of Bengal.

2. The Government Notification of the 23rd of November last, authorizing the receipt of sovereigns and half-sovereigns at the Treasuries, at the respective rates of ten and five rupees, was adopted by the Bank as the rule for the whole of their transactions, and this letter reports the result up to a recent date, and expresses the opinion of the Directors that the time has arrived when the sovereign and half-sovereign ought to be declared legal tender at the above-mentioned rates.

3. It will be seen that up to the 9th instant the total receipts at the Bank in these coins amounted to £370,000 and that although payments had likewise been made to a considerable amount, sovereigns accumulated to an inconvenient extent in the hands of the Bank, and 200,000 were therefore transferred to the Calcutta Currency Office in exchange for rupees.

4. Owing to further expected arrivals of sovereigns from Australia, the proportion of one-fourth of the total amount of issues represented by coin and bullion, which can by law be received in gold coin in the Currency Department, is likely soon to be completed; and, in order that the balances of the Bank and of the Government may not be composed of a coin which cannot be relied upon as a circulating medium, owing to its not being a legal tender, it will then become necessary either to go forward to convert the experimental measure of making the sovereign

receivable in the Treasuries and Currency Offices at ten rupees into the substantive one of making it a legal tender at that rate, or to take the retrograde step of withdrawing the Notification authorizing the sovereign being received at ten rupees, or modifying it by making the sovereign receivable at a lower rate.

5. Although the sovereign still commands, under certain circumstances, a small premium over ten rupees in the interior of the Bengal Presidency, it has been paid at the last-mentioned rate into the Allahabad, Lahore, and Nagpore Currency Offices, as well as into many of the Treasuries. The sums held in sovereigns at the above-mentioned Currency Offices on the 15th instant, the date of the Return last received, were—

Lahore	...	...	...	...	13,350
Allahabad	...	...	...	...	690
Nagpore	...	...	...	...	80

6. As it has now been proved that to declare the sovereign a legal tender at ten rupees would not be inoperative in a great part of India, as the local relative value of the gold and silver coin could hardly be more favourable for the safety and gradual progress of the change; and as the measure has been shown to be urgently required to prevent great practical inconvenience, we are of opinion that sovereigns and half-sovereigns according to the British and Australian standard, coined at any properly authorized Royal Mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at the rate of one sovereign for ten rupees, as recommended in our letter dated the 14th of July 1864, No. 89, and we request the sanction of Her Majesty's Government for giving legislative effect to this arrangement.

Financial Despatch from the RIGHT HONBLE SIR CHARLES WOOD, BART., G. C. B., Secy. of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No. 124, dated 17th May 1865.

I have considered in Council your Financial letter dated the 21st March 1865, No. 56, forwarding copy of a letter from the Secretary of the Bank of Bengal, with enclosures, relative to the effect of the Government Notification of the 23rd November last, authorizing the receipt of sovereigns and half-sovereigns at the rates of Rs. 10 and Rs. 5 respectively, and expressing your opinion that the time has arrived when sovereigns and half-sovereigns coined at any properly authorized Royal Mint in England, Australia, or India, should be made legal tender throughout British India at the rates above specified.

2. It appears from the papers forwarded by you, that from the 1st December 1864 to the 9th March 1865, the Bank of Bengal had received sovereigns and half-sovereigns to the amount of £370,986, and had parted with £129,935, almost wholly over the Bank counter, except £14,500 sent to the Bank's Up-country Branches. The Bank had also sent £200,000 to the Mint, in exchange for rupees, retaining about £11,500 for current requirements.

3. It also appears that at Cawnpore 4,996 sovereigns were sold at the Bank at premiums varying from 3 pias to 1½ anna on each sovereign, and that sales had been made at the Bank's Branches at Allahabad, Benares, and Mirzapore, at an exchange somewhat below the average of the Cawnpore Branch. Sovereigns had, however, been paid to a small amount at the rate of Rs. 10 into the Lahore, Allahabad, and Nagpore Branches.

Lahore	...	£13,350
Allahabad	..	690
Nagpore	...	80

4. You consider that these facts prove that "to declare the sovereign a legal tender at ten rupees, would not be inoperative in a great part of India, as the local relative value of the gold and silver coin could hardly be more favourable for the safety and gradual progress of the change; and as the measure has been shown to be urgently required to prevent great practical inconvenience," you "are of opinion that sovereigns and half-sovereigns, according to the British and Australian standard, coined at any properly authorized Royal Mint in England, Australia, or India, should be made legal tender throughout the British Dominions in India at the rate of one sovereign for ten rupees, as

“recommended in” your “letter dated the 14th July 1864, No. 89, and” you “request the sanction of Her Majesty’s Government for giving legislative effect to this arrangement.”

5. In my Financial Despatch dated the 26th September 1861, No. 224, which authorized the receipt of the sovereign in the Government Treasuries in India as the equivalent of ten rupees, I pointed out the grounds on which I considered that it would be inexpedient, at any rate for the present, to make that coin a legal tender. Its receipt was consequently sanctioned only as an experiment, and the time that has yet elapsed is not sufficient to ascertain how far it would circulate at the rate of ten rupees.

6. The papers which you have now forwarded do not appear to me to shew that the time has arrived for taking any further step, or that the measure which you propose would be attended with any advantage. The fact that without being legal tender at any fixed rate, sovereigns have been sold at Branches of the Bank of Bengal at a premium, does not appear to me to support your proposition.

7. The sovereign is at present intrinsically worth more than ten rupees, and although circumstances may render it occasionally convenient to individuals to pay it at that rate into the Government Treasuries, the purchase of the coin at a premium by the public at certain Branch Banks, is sufficient proof that its real value is well understood.

Your apprehension that inconvenience may result from the accumulation of sovereigns in the Calcutta Currency Office, appears not to be well founded. In the present state of the exchanges, the sovereign will give a more favorable remittance to this country than can be obtained here by our drawing bills on your Government, and I therefore request that you will transmit overland whatever amount of sovereigns there may be inconveniently accumulated in your Departments. To whatever extent you may remit sovereigns, you will be relieved from the necessity of paying our Bills in silver.

From R. P. HARRISON, Esq., Acctt. Genl. to the Govt. of India, to Secy. to Govt. of India, Finl. Dept.,—No. 623, dated 7th September 1865.

With reference to your Telegram of the 1st instant, and to my reply of the 5th idem, I have the honor to submit copy of a letter of this date from the Secretary and Treasurer of the Bank of Bengal, reporting the arrangements which he has made for sending 16 lakhs of sovereigns to England by the Steamer *Mooltan*.

I have approved of these arrangements, which have been made after personal communication with Mr. Dickson.

From GEO. DICKSON, Esq., Secy. and Treasurer, Bank of Bengal, to Acctt. Genl. to the Govt. of India,—dated 7th September 1865.

I have the honor to inform you, relative to our demi-official correspondence, that subject to your approval I have made the following arrangements for sending 16 lakhs of sovereigns to the Bank of England on account of Her Majesty's Secretary of State for India per the Peninsular and Oriental Steam Navigation Company's Ship *Mooltan*, which sails to-morrow, viz.—

Freight for the whole 16 lakhs deliverable at Bank of	
England	2 per cent.
Insurance by London and Oriental Steam Transit	
Insurance Company on	8 lakhs, 1½ per cent.
Insurance by Messrs. Jardine, Skinner & Co., Agents	
for Triton, Canton, Bombay Ocean, and Alliance	
Marine Insurance Offices	4 „ 1 „
Insurance by Messrs. Shand, Fairlie & Co., Agents	
for Hong-Kong Insurance Company	2 „ 1 „
Insurance by Messrs. Mackillop, Stewart & Co.,	
Agents for the London Assurance Corporation	2 „ 1 „
Union Insurance Society of Canton, London, and	
Provincial Insurance Company	2 „ 1 „

The various policies will cover risks until delivery of the coin at the Bank of England.

The remittance is contained in 10 boxes made to measurement furnished by the P. and O. Company.

Each box contains 16 bags of £1,000 each, and is sealed with the bank's seal. The boxes are numbered respectively from No. 1 to No. 10, and bear the following address :—

[B of E] Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10.

Precautions have been taken to secure the boxes by iron clamps and screw nails, and two seals are placed on each box.

I shall advise the Bank of England via Marseilles of the despatch of the remittance, enclose Bills of Lading and shipping documents, and also Telegraph by Indo-European Line, lest by an accident the advice by Marseilles should miscarry. Every care has been taken in making up the remittance, but it would be satisfactory were you to send over some trustworthy Officer to see each bag weighed, placed in the boxes, and nailed down before they leave the Bank; meanwhile I have arranged with Captain Paterson that he will give us the use of his larger boxes for doubly securing the gold, and that one of the officers of his Company (Mr. Parker) is to be in attendance to see each bag weighed and deposited in the respective box before being screwed down, and sealed and placed within the large box. Delivery will be given to-morrow morning, and a guard of Sepoys will accompany the remittance to the Steamer's side. A Chief Officer of the Peninsular and Oriental will go to the Bank of England from Southampton along with the large chest in which the smaller boxes will be packed

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 152, dated Simla, 18th September 1865.

In continuation of our Secretary's Telegram dated 7th September 1865, we have the honor to forward the papers noted in the subjoined list relative to the arrangements made by the Secretary and Treasurer of the Bank of Bengal for sending 1,60,000 sovereigns to England by the Steamer *Mooltan*, which sailed on the 8th instant.

List of Papers.

Copy of a letter from the Accountant-General to the Government of India, No. 623, dated 7th September 1865, with its enclosure.

From R. P. HARRISON, Esq., Acctt. Genl. to the Govt. of India, to Secy. to Govt. of India, Finl. Dept.

In continuation of my letter No. 623, dated the 7th instant, I beg to forward copy of one from the Secretary and Treasurer, Bank of

328 LETTER FROM THE SECRETARY, BANK OF BENGAL.

Bengal, No. 2983, dated 9th idem, reporting the shipment of Australian sovereigns amounting to Rs. 16,00,000, for the Right Hon'ble the Secretary of State.

From GEO. DICKSON, Esq., Secy. and Treasurer, Bank of Bengal, to Acctt. Genl. to the Govt. of India,—No. 2983, dated 9th September 1865.

In continuation of my letter of the 7th instant, I now beg to advise having shipped per Steamer *Mooltan*, which sailed this morning, the ten boxes of Australian sovereigns amounting to Rs. 16,00,000.

The remittance has been put up as already described, and I have forwarded the Bill of Lading and Policies of Insurance to the Bank of England, in whose favor they have been made out.

I annex a List of the several policies, all of which are payable in London at the exchange of 2s. 1d. per rupee, the difference in this respect, in case of loss, being more than sufficient to cover the freight, insurance, and other charges.

I will send you hereafter a detailed List of all charges in connection with the shipment.

MEMO. OF POLICIES.			Rs.
London and Oriental Steam Transit Insurance Company	...	...	8,00,000
Hong-Kong Insurance Company	...	...	2,00,000
Alliance Marine Assurance Company	...	...	2,00,000
Ocean Marine Insurance Company of Bombay	...	...	50,000
Bombay Insurance Society	...	...	25,000
Canton Insurance Office	...	...	50,000
Triton Insurance Company	...	...	75,000
London and Provincial Marine Insurance Company	...	...	50,000
Union Insurance Society of Canton	...	...	50,000
London Assurance Corporation	...	...	1,00,000
			Rs. 16,00,000

Financial Despatch from the Govt. of India, to the Right Hon'ble the Secy. of State for India,—No. 156, dated Simla, 25th September 1865.

In continuation of our Despatch No. 152, dated 18th September 1865, we have the honor to forward a further communication* from the Accountant General to the Government of India, regarding the shipment of Australian sovereigns amounting to Rs. 16,00,000 for England per Steamer *Mooltan*.

Financial Despatch from the RIGHT HON'BLE SIR CHARLES WOOD, BART., G. C. B., Secy. of State for India, to His Excellency the Right Hon'ble the Governor General of India in Council,—No. 267, dated 30th November 1865.

With reference to your Financial letters dated the 18th and 25th September 1865, Nos. 152 and 156, advising the shipment of 160,000 Australian sovereigns by the Steamer *Mooltan* and the rates of Insurance paid thereon, I have to acquaint you that the sovereigns in question were duly delivered at the Bank of England, and were disposed of at the rate of £4-17-9 $\frac{3}{4}$ * per ounce, the sum realized amounting to £159,857-14-2.

* This is probably a clerical error for £3-17-~~4~~.

